



2009


bioMD
LIMITED

annual report **2009**

Contents

Chairman's Letter	1
Company Highlights	2
Review of Operations	3
Corporate Review	11
Corporate Governance Statement	13
Directors' Report	16
Auditor's Independence Declaration	25
Income Statements	26
Balance Sheets	27
Statements of Changes in Equity	28
Cash Flow Statements	29
Notes to the Financial Statements	30
Directors' Declaration	55
Independent Auditor's Report	56
Shareholder Details	58



Chairman's Letter

Dear Shareholders

We are pleased to report to you on the financial year ended 30 June 2009.

bioMD has enjoyed a fulfilling year both in its clinical trial progression and its continued support by you, our shareholders. The Company's rights issue to existing shareholders in early 2009 was well supported and we were pleased to close the issue fully subscribed.

The Company's Phase II Clinical Trial being conducted in South Africa is approaching the conclusion of its clinical implantation stage. A further 25 patients have undergone surgical procedures over the past year, using our CardioCel patches treated with the ADAPT® Tissue Engineering Process (TEP). Subsequent to the reporting period, we were very pleased to announce the excellent clinical results of the six monthly examinations which demonstrated the efficacy of CardioCel when implanted in a demanding cardiac environment.

These wonderful results have been a major stimulus in building investor confidence, which has been reflected in the Company's increased share price.

We have maintained the Company's patent portfolios for the Prefilled Syringe and for ADAPT TEP in a number of countries. These patents provide us with the exclusive right to our inventions within the marketplace.

The Company is continuing to focus on its strategic plan for concluding a commercial arrangement with an international medical device company. To this end, negotiations are continuing with a number of companies who are interested in the ADAPT technology and these negotiations will be ongoing in the next financial year.

Financial Results

The operating loss after tax of the Group for the year ended 30 June 2009 amounted to \$1.1 million for the consolidated entity, compared to the previous year's loss of \$1.3 million.

The Board of Directors looks forward to the coming year, which promises to be an exciting one for the Company with the conclusion of its CardioCel clinical trial and the commencement of an Australian clinical trial of Gynecel. We again thank our shareholders for your continued support of this Company, and invite your participation at this year's Annual General Meeting, which is to be held on Wednesday 11 November at The Terrace Room, Somerset St Georges Terrace Hotel, 185 St Georges Terrace, Perth commencing at 10.00 am.

In conclusion, I would like to extend my appreciation to my fellow directors, executive management, staff and the advisory team who have made the past twelve months a very successful one in the progress of bioMD.



Robert N. Scott
Non-Executive Chairman

Company Highlights

2008/09 Highlights

- » Raised \$860,000 in fully subscribed Rights Issue to shareholders;
- » Achieved 29 Patient Implantations in Phase II Human Clinical Trial of CardioCel;
- » Lodged application for Ethics Committee Approval of Australian Clinical Trial of Gynecel;
- » Independent validation of ADAPT Tissue Engineering Process by Professor of Pathology, Harvard Medical School, USA;
- » ADAPT Tissue Engineering Process selected for 2 poster presentations at international meeting of the Society for Heart Valve Disease;
- » ADAPT Tissue Engineering Process clinical paper published in “Journal of Heart Valve Disease”.

Review of Operations

INTRODUCTION

The past year has seen significant advancement in the Company's progression of human clinical trials of biomaterials produced using the ADAPT® Tissue Engineering Process (TEP).

Our focus has also been in developing commercial partnerships with global medical device companies, with the aim of entering into a co-development partnership and/or licensing arrangement for ADAPT TEP. Current negotiations are focusing on the tissue heart valve market, including the new and exciting market for percutaneously delivered tissue heart valves.

CardioCel Biomaterial Tissue Patch Phase II Clinical Trial – South Africa

We are now approaching the conclusion of implantations in our Phase II human clinical trial of CardioCel patches in South Africa.

CardioCel is a bioimplant tissue patch made from bovine pericardium tissue and treated with ADAPT TEP.

The trial is a non-randomised Phase II clinical trial being conducted in accordance with an agreed investigational protocol. A total of 29 patients have been implanted with CardioCel bovine pericardial patches in cardiovascular surgical procedures.



The trial is being conducted by Professor Francis Smit, Head of the Department of Cardiothoracic Surgery at the Universitas Hospital in Bloemfontein, South Africa. It is being conducted in that country because of its high incidence of congenital heart disease that can cause heart deformities.

About the Study

The primary objectives of this trial are to evaluate the safety, efficacy and clinical performance of the CardioCel patches in cardiovascular surgical repair procedures. Secondary endpoints are the evaluation of its design features, such as handling characteristics, shape and sizing requirements, as well as implant procedures.

CardioCel patches are being implanted into patients requiring bioprosthetic tissue substitution to support repair of atrial and ventricular septal defects, aortic root enlargements and outflow tract reconstructions.

Each patient will have a post-operative follow up period of 12 months. Follow-up procedures include an echocardiographic examination at 6 months and at 12 months. Selected patients will also undergo magnetic resonance imaging (MRI) studies.

The 6 month post-surgical examination included echocardiography assessment, blood biochemistry and a detailed clinical cardiovascular assessment.

Results from the first six-monthly examinations revealed:

- No patch-related clinical adverse effects in any of these patients;
- No patient related thromboembolic events;
- No dehiscence with any implant patch;
- No flow obstructions;
- Minimal traces of non-significant mild calcification in some patients.

Post-operative performance of these implants was evaluated in terms of thromboembolic events, immunological reactions, inflammation (endocarditis), dehiscence from the surrounding tissue, degeneration (absorption of the implant and re-occurrence of the pre-surgical anatomical defect), thickening of the implanted graft surfaces (obstructing flow patterns) and aggressive calcification of the implant.

These results clearly demonstrate within this chronically ill patient group that the biomaterial performs to expectations when implanted in a demanding cardiac environment, and creates no adverse effects.

Review of Operations (continued)

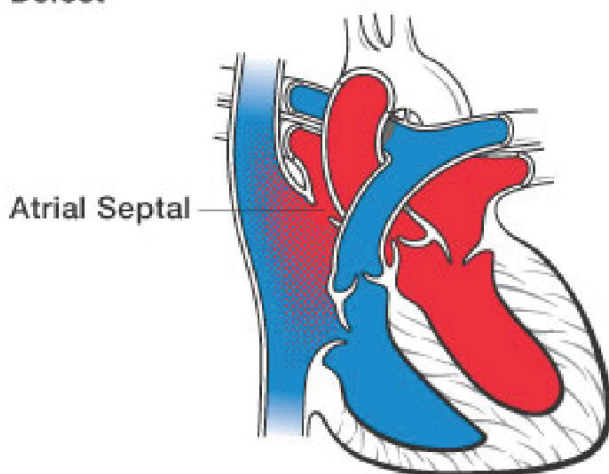
About Cardiovascular Deformities

The cardiovascular deformities being repaired using CardioCel patches are atrial septal defects (ASD), ventricular septal defects (VSD), right ventricular outflow tract reconstructions, and left ventricular and aortic aneurisms.

The septum is a wall that separates the heart's left and right sides. Septal defects are sometimes called a "hole" in the heart.

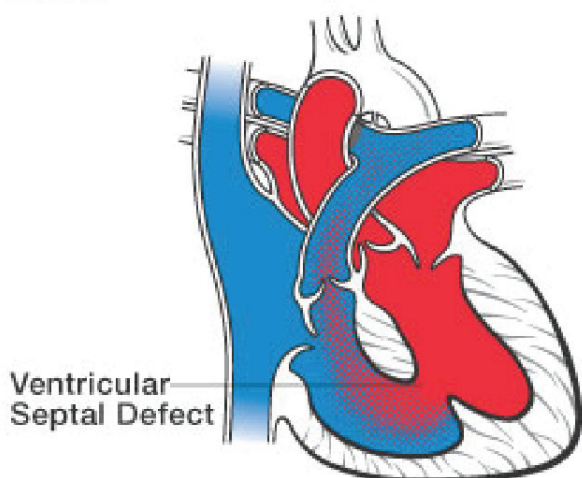
A defect between the heart's two upper chambers (the atria) is called an atrial septal defect (ASD).

Defect



A defect between the heart's two lower chambers (the ventricles) is called a ventricular septal defect (VSD).

Defect



When there is a large opening between the ventricles, a large amount of oxygen-rich (red) blood from the heart's left side is forced through the defect into the right side. This oxygenated blood is then pumped back to the lungs, which is inefficient because already-oxygenated blood displaces blood that needs oxygen. As a result, the heart must pump more blood, which may cause enlargement of the heart due to the added work. High blood pressure may occur in the lungs' blood vessels because more blood is there. Over time, this increased pulmonary hypertension may permanently damage the blood vessel walls.

An aortic aneurysm is a general term for any swelling of the aorta, usually representing an underlying weakness in the wall of the aorta at that location. While the stretched vessel may occasionally cause discomfort, a greater concern is the risk of rupture. This can cause severe pain, massive internal haemorrhage and, without prompt treatment, results in a quick death.

A ventricular aneurysm may develop in the wall of the left ventricle after myocardial infarction. A segment of myocardium becomes replaced by scar tissue, which expands to form an aneurismal sac. Heart failure may result or thrombosis within the aneurysm may act as a source of embolism.

Many of the abovementioned deformities that occur in the one patient are repaired at the same time using what is commonly called the Rastelli operation.

Gynecel Biomaterial Tissue Patch Phase II Clinical Trial – Australia

A clinical investigational protocol entitled "Assessment of the ADAPT treated bovine pericardial patch ("Gynecel") for pelvic floor reconstruction procedures" was submitted to the South Eastern Sydney Illawarra Human Research Ethics Committee in June, to obtain ethics approval for a human clinical trial to be undertaken at St George Public Hospital in New South Wales.

The primary objective of the project is to assess the tissue regeneration efficacy of Gynecel in a pelvic floor surgical reconstruction procedure (anterior vaginal wall prolapse reconstruction).

Secondary objectives of the trial will include evaluation of material design and implant features such as handling characteristics, shaping and sizing prior to implant and any related implications.

Gynecel is a bioprosthetic implant tissue patch made from bovine pericardium tissue and treated with ADAPT TEP.

Review of Operations (continued)

The human trial will be a pilot study of 20 patients and will continue until the last patient has been followed for a minimum of 24 months. It is expected to commence once ethics approval is obtained.



Practising suturing techniques for the implantation of Gynecel patches.

Current treatments for pelvic floor reconstruction use woven synthetic meshes made from polypropylene. These meshes have a high incidence of post-operative complications. This study will evaluate the efficacy of using a bioprosthetic implant tissue patch (Gynecel) in order to reduce post-operative complication rates, whilst at the same time providing a regenerative and long lasting repair of the pelvic floor tissues.

ADAPT TEP

ADAPT TEP produces a bioprosthetic scaffold (extracellular matrix) from animal tissue. Depending on the site of implantation, the patient's own cells will migrate into the matrix and stimulate site specific controlled remodeling. At the same time, new blood vessels are formed in the matrix and they deliver appropriate cells that lead to a functional tissue repair. The implanted extracellular matrix is gradually remodeled and replaced by the body's own new tissue structures.

PUBLICATIONS & PRESENTATIONS

Journal of Heart Valve Disease

A clinical paper by Celxcel's Chief Scientific Officer, Professor Leon Neethling, has been published in the July edition of the peer-reviewed scientific Journal of Heart Valve Disease.

The paper is entitled "Enhanced Biostability and Biocompatibility of Decellularized Bovine Pericardium, Crosslinked with an Ultra-Low Concentration Monomeric Aldehyde and Treated with ADAPT®".

Background

Matrix preparation remains controversial due to incomplete cell removal, inflammatory responses, reabsorption and thrombocyte activation. Previously, crosslinked matrices have been considered unsatisfactory due to cytotoxicity. In the present study, the biostability, biocompatibility and calcification potential of a decellularized matrix crosslinked with a low concentration of monomeric glutaraldehyde (GA) and treated with the ADAPT anti-calcification process were examined.

Results

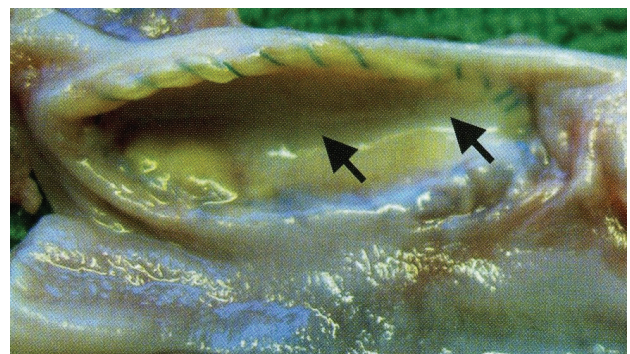
Complete acellularity was achieved. Biostability was significantly ($p < 0.01$) enhanced in group II, but inflammatory responses were limited in both groups. Host fibroblasts infiltrated the periphery in group I and the entire matrix in group II. The luminal surfaces were free from thrombotic depositions and covered with endothelial cells. Both groups tested positive for Factor VIII, smooth muscle α -actin and vimentin. Tissue extractable calcium levels were low (group I = 1.02 ± 0.39 , group II = $\pm 0.22 \mu\text{g Ca/mg tissue}$).

Methods

Bovine pericardium was decellularized with Triton X-100, deoxycholate, IgePal CA-630® and ribonuclease. The resulting matrices were allocated to either group I (control, $n=5$), crosslinked in 0.2% polymeric GA + ADAPT, or to group II (treatment, $n=5$), crosslinked in 0.05% monomeric GA + ADAPT. The physical properties, enzymatic degradation, histology and immunohistochemical staining of the tissues were monitored. The matrices were also implanted in the jugular vein of juvenile sheep for 200 days.

Conclusion

The results of the study showed that reduced antigenicity, optimized crosslinking and efficient anti-mineralization of the acellular bovine pericardium produce a durable bioprosthetic matrix with excellent tissue-engineering properties.



View of the luminal side of an explanted pericardial patch after 200 days in the sheep jugular vein position. The arrows indicate smooth fibrous sheathing visible on the inside surface with no thromboembolic deposition.

Review of Operations (continued)

Society for Heart Valve Disease

Michael Bennett, Managing Director, and Professor Neethling, Chief Scientific Officer, attended the 5th Biennial Meeting of the Society for Heart Valve Disease in Berlin, Germany from 27-30 June, 2009. This was a joint meeting with the Heart Valve Society of America.

Professor Neethling had two clinical papers selected for poster presentations at the Meeting. Abstracts are as follows:

RESEARCH AND DEVELOPMENT

The Company continues to participate in collaborative research programs with both national and international partners.

1. Mesenchymal Stem Cells

The Company is currently undertaking in vitro research with a leading cellular and tissue therapies research facility in Australia. The research is focusing on the use of ADAPT treated patches seeded with mesenchymal stem cells. This research is to be expanded to include the addition of growth factors to produce a site specific cell transdifferentiation patch.

2. Percutaneous Heart Valve

The Company is collaborating with a South African partner on the development of a transcatheter heart valve incorporating kangaroo pericardium treated with the Company's ADAPT TEP.

The kangaroo pericardium has been mounted on the stent and has undergone pulse duplicator testing. The initial prototypes for implantation are currently being produced, with animal testing due to commence later in 2009.



Kangaroo pericardium being tested on the pulse duplicator



Bovine pericardium

3. Biocompatibility and Calcification Potential of Treated Human Pericardium

A pre-clinical study into the use of ADAPT TEP on human pericardium is currently being undertaken in conjunction with a leading Australian children's hospital.

The aim of the project is to chemically treat human pericardium (tissue sack that surrounds the heart) in order to increase the strength, to improve the acceptability (compatibility) by the recipient tissues and to reduce the ability to calcify after implantation. It is hoped that this trial will prove that ADAPT treated bovine pericardium can be used instead of human pericardium, which is in limited supply.

Treated human pericardium will be tested in a small animal model (rat).

Treated animal pericardium, specifically bovine pericardium, has been widely used during the past three decades as a tissue substitute (heart valves and patches) in cardiovascular surgical procedures. Treatment usually includes the use of chemical crosslinking agents to stabilise the collagen and to minimise tissue rejection by the recipient's tissue. Unfortunately, most of these animal tissues tend to calcify after implantation, especially in young patients as a result of the chemical treatment.

As an alternative, autologous human pericardium has been used as opposed to bovine pericardium. Technical limitations, such as the softness of the tissue, require stability with a crosslinking agent which tends to increase the calcification potential after implantation. The aim of the study is to treat the human pericardium in such a way that the quality is improved and then to confirm the end result in a small animal model.

Review of Operations (continued)

INDEPENDENT VALIDATION OF ADAPT TISSUE ENGINEERING PROCESS

Professor Frederick J. Schoen, M.D., Ph.D. was commissioned to undertake an independent review of the histology of a group of explanted specimens treated with the Company's proprietary tissue engineering process – ADAPT TEP.

Professor Schoen is a Professor of Pathology at Harvard Medical School and Executive Vice Chairman, Department of Pathology at Brigham and Women's Hospital in Massachusetts, USA.

The histology tissue specimens provided to Professor Schoen came from pre-clinical (animal) research previously undertaken. They were compared to control specimens not treated with the ADAPT technology.

The review focused on general tissue responses, calcification, recellularisation, remodeling and immune-responses (inflammation).

The report provided by Professor Schoen concluded:

"Based on the specimens examined, I conclude that the ADAPT treatment inhibited calcification of pericardial tissue... without significant adverse effects such as inflammatory reaction or degeneration."

This independent review provides confirmation of the unique properties of the ADAPT technology when compared to other currently available technologies.

Calcification of a patient's own heart valves is a major contributor to the need for heart valve replacement surgery. Cardiac tissue grafts used in the repair of heart deformities may also fail due to an immune response leading to inflammation and calcification. As the expert report confirms, tissue treated with ADAPT TEP was resistant to calcification for the 12 month study period.



Review of Operations (continued)

Our Team

Chief Scientific Officer



William Morris Leonard (Leon) Neethling

Professor Neethling studied at the Medical School, University of Free State in Bloemfontein, South Africa and obtained his PhD in cardiothoracic Surgery in 1983. He was the founder of the first human heart valve bank in South Africa in 1984 and became Assistant-Director of the Cardiothoracic Research program in 1986.

In 1989 Professor Neethling undertook training in homograft cryopreservation at the National Heart Hospital in London and in 1993 at the Prince Charles Hospital in Brisbane, Australia. In 1993 he received a Fellowship from the American College of Angiology and was appointed Director of the Cardiothoracic Research program (Heart Valve Research Laboratory). In 1996, he received a Research Fellowship from the Heart-Transplantation Unit at Royal Perth Hospital to assess the kangaroo aortic valve as a possible heart valve substitute. In 1998 he was appointed Associate Professor in Cardiothoracic Surgery at the Medical School in Bloemfontein. In 1999, he was appointed Director of Cardiothoracic Surgical Research at Fremantle Heart Institute in Fremantle, Western Australia. In 2007, he was appointed visiting Professor to the Department of Cardiothoracic Surgery in Bloemfontein, South Africa.

During his career, Professor Neethling has received several prestigious academic awards including the University of Free State's Lennon Gold Medal (1990), Intramed Gold Medal (1993 & 1994), Muller-Potgieter Medal (1994), Faculty of Health Science Award (1997 & 1998) as well as the Medical Scientist Association's Medical Scientist of the Year Award (1997).

Professor Neethling is the author of 23 peer-reviewed publications and has presented 32 international conference presentations.

He is currently study supervisor for several international post-graduate students and an editorial review referee for eight international journals, and is also on the Editorial Board of the Open Cardiovascular and Thoracic Surgery Journal.

Technology Advice Consultant



Thomas Taylor

Tom Taylor is a founding director and owner of Etal Services Pty Ltd, a healthcare consulting company which provides technology advice to the Company.

Tom has 37 years experience in the Healthcare Industry across a broad range of pursuits encompassing both clinical and commercial, including:

- Surgical Instrument Technician at Royal Melbourne Hospital;
- Technician in charge Intensive Care Unit Princess Margaret Hospital;
- Technician member of Medical Physics Royal Perth Hospital's Orthopaedic Implant design and manufacturing unit;
- Founding director and owner of Westmed Pty Ltd, a General Surgical Supply and Medical Manufacturing Company;
- Founding director and owner of Taylor and Associates, a Healthcare Consulting Company;
- National Orthopaedic Sales Manager of Advanced Surgical Technology Pty Ltd;
- General Manager of Australian Medical Association Medical Products Division.

Review of Operations (continued)

Marketing Consultant



David A. Rigg

David Rigg graduated with BSc.Hons. from the University of NSW in 1970 and joined Astra Pharmaceuticals in Australia as Medical Services Manager. After winning a global Astra Scholarship in 1972 he attended the International Graduate Programme in Management & Marketing in Sweden and was appointed as Cardiovascular Group Product Manager.

In 1974 David was recruited by the Nucleus Group to be International Marketing Executive for a range of implantable medical devices including heart pacemakers, defibrillators and the cochlear “bionic ear”. For the next six years he was responsible for the development of more than 30 global export markets for heart pacemakers. In 1980 David was appointed as CEO Asia Pacific & Japan, with P&L responsibility for three manufacturing and marketing operations in Asia and two technology transfer agreements with India and Brazil.

David was appointed CEO Europe in 1985, based in London and was responsible for sales in excess of US\$85 million and 400 employees, including an R&D division and three manufacturing plants.

He was President of the International Association of Prosthesis Manufacturers 1997-1998, and responsible for the acquisition of the European Division of Cordis (Miami).

David acted as advisor to Austrade between 1986 and 1992 as a member of its Business Advisory Development Group for Europe.

In 1989, after the acquisition of Nucleus by Pacific Dunlop, David returned to Australia as Executive Vice-President Marketing for Nucleus; in 1991 he joined J&J Medical as Director of Marketing and Sales to launch the new discipline of endosurgery in Australia and Japan.

In 1993 David was approached by Apple Computer to address challenges in the Asian Pacific region as Marketing and Sales Director, responsible for launching the Newton hand-held PDA (forerunner to today's hand-held devices) and acted as industry representative for Government “Superhighway” strategies.

Since 1993 David has been providing domestic and export consultancy services to Australian and global healthcare companies, primarily in product and business development, technology transfers and strategic direction.

Review of Operations (continued)

REGULATORY

Australian Register of Therapeutic Goods

The CardioCel Bioimplant Tissue Patch is included as a Class I (export only) medical device on the Australian Register of Therapeutic Goods.

Quality Assurance

bioMD has Quality Assurance Certification to Australian Standard ISO 9001:2008.

Our Quality Manual also complies with ISO 13485-2003 for the production of Medical Devices.

The Company has established a management system consistent with these standards in order to meet the appropriate requirements for regulatory approvals both within Australia and overseas. Regular reviews are conducted by Certification Specialists to ensure compliance.

All products brought to commercialisation will meet the appropriate Quality Standards that apply for products to be listed by regulatory authorities such as the Therapeutic Goods Administration (TGA) in Australia, the Federal Drugs Administration (FDA) in America and CE Mark Certification in Europe.

INTELLECTUAL PROPERTY REPORT

Patents

bioMD has the benefit of a strong intellectual property position, with core patents granted in the United States, Europe and Australia, and patents applications in various countries.

During the year the South African Patent Office granted a patent for the ADAPT TEP through to 2025.

Invention/Technology	Australian Patent	Australian Application	International Patent	International Application
POP Safety Injection Needle			1	1
Prefilled Safety Syringe	1		4	1
ADAPT Technology	1			
An Implantable Biomaterial and a Method of Producing Same (ADAPT Technology)		1	2	12

Trademark Protection

Trademarks are registered for "CardioCel" and "Gynecel", which affords the Company protection of trade names for our products.

Corporate Review

NEW ISSUE OF SECURITIES

On 16 February 2009 the Company undertook a one for two non-renounceable pro-rata rights issue of shares at an issue price of \$0.02 per Share to raise approximately \$859,000.

The rights issue closed on 27 March 2009, raising a total of \$421,248.78 for the issue of 21,062,439 new shares, representing a 52.8% acceptance. The new shares were allotted on 6 April 2009.

The Directors then proceeded to place the shortfall of 21,850,705 new shares, raising a further \$437,014.10.

The Company was pleased to welcome Ochre Health Group Pty Ltd as a substantial holder as a result of its investment in the shortfall.

CASH

The Group has consolidated cash assets of \$1.25 million.

CHANGES TO CAPITAL STRUCTURE

6 April 2009	Issue of 21,062,439 new BOD Fully Paid Ordinary Shares
4 May 2009	Issue of 21,850,705 new BOD Fully Paid Ordinary Shares

As a result, the Company currently has 128,823,113 fully paid ordinary shares quoted on the Australian Securities Exchange.

Corporate Review (continued)

DIRECTORS & OFFICERS



ROBERT N. SCOTT - Non-Executive Chairman

Robert Scott is a Chartered Accountant with over 35 years experience as an adviser on corporate services and taxation. He currently consults on corporate structuring and taxation planning for accounting firm Gooding Pervan Chartered Accountants.

Mr Scott has served as Chairman of Australian Renewable Fuels (Director since 2002), a Director of ASX listed entities Amadeus Energy Limited (since 1996), Homeloans Limited (since 2000), Neptune Marine Services (since May 2007) and CGA Mining Ltd (since 2009).



MICHAEL C. BENNETT - Managing Director

Michael Bennett has over 35 years sales and marketing experience working for United States and European medical device companies and has been involved in the introduction of many new medical and surgical device technologies to the Australian market.

After studies in medical science and commerce, Mr Bennett commenced work with Ramsay Surgical Ltd, an Australian medical/surgical supply and distribution company that had offices in all major capital cities. He remained with that company until 1979 during which time he managed their Canberra office and subsequently became General Manager for their NSW operation.

From 1979 until its sale in 2001, Mr Bennett owned and operated his own private surgical supply company, Bennett Medical, and exclusively represented major overseas medical device manufacturing corporations such as Medicon Instrumente and Erbe Elektromedizin from Germany and Valleylab Inc. from the United States. His company was involved in the introduction of many new surgical technologies to Australia and, in doing so, was involved in the regulatory processes required to be followed for the sales of new products into the market.

Since 2001 Mr Bennett has been consulting to overseas surgical manufacturers and to the Australian medical industry in general.

His sales and marketing background at the corporate level ensures that management's focus is on end-user requirements, their needs and product satisfaction.



ROBERT E. TOWNER - Executive Director

Robert Towner has more than 15 years experience in financial markets providing corporate advice to listed and unlisted public companies.

He has been instrumental in the formation, management and direction of bioMD since its formation as a publicly listed company.

In his capacity as Executive Director, Mr Towner is responsible for maintaining Board awareness of financial markets, corporate governance, capital structuring and working capital requirements.

Mr Towner is a director of Cornerstone Corporate Pty Ltd, an Australian-based Financial Services provider, and was formerly a director and authorised representative of Capstone Capital Pty Ltd. Capstone has facilitated capital raisings and consulted to small to medium sized companies in the resources, energy and industrial sectors. He is currently a Director of an unlisted public company, Kratos Energy Limited.



CAROLINE L. BENTLEY - Company Secretary

Caroline Bentley is a Chartered Accountant and CPA with 19 years experience and a working background in both commerce and public practice.

Mrs Bentley is currently an Executive Director and Company Secretary of ASX listed entity Amadeus Energy Limited.

Corporate Governance Statement

bioMD Ltd (the Company) and the Board strongly support good corporate governance, but are mindful that the practices needed to implement good corporate governance vary considerably from company to company. The Board strongly agrees with the “Principles of Good Corporate Governance and Best Practice Recommendations” developed by the Australian Securities Exchange (ASX). Given the size and nature of the Company, however, the Directors have modified the best practice standards as laid down by the ASX.

This statement outlines the main corporate governance practices in place during the financial year. Where the Company's practices depart from ASX recommendations, the exceptions have been identified and the Board's reasons for an alternate approach have been explained.

Structure and Role of the Board of Directors

The Board is responsible to the shareholders for the performance of the Company and takes responsibility for the overall operation and stewardship of the Company, including overseeing corporate governance matters. The Board guides and monitors the business of the Company on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company to ensure that it is conducted appropriately and in the best interests of shareholders.

The Board's key objectives are to:

- increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and
- ensure the Company is properly managed.

The primary responsibilities of the Board are set out in a written policy and include:

- supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- monitoring the financial performance of the Company, adopting annual budgets and approving the Company's financial statements;
- overseeing corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company; and
- nominating and monitoring the Company's external auditors.

The Board evaluates these policies on an on-going basis.

The Board seeks to nominate persons for appointment to the Board who have suitable qualifications, experience and skills to augment the capabilities of the Board.

Directors' qualifications, experience, expertise and attendance at Board meetings are outlined in the Directors' Report.

As at the date of this report, the Company has three directors: one non-executive independent Chairperson, a Managing Director and one Executive Director.

A Director is deemed to be independent by the Board where they are:

- a non-executive director;
- not a substantial shareholder, being a shareholder with a relevant interest of more than 5% of voting shares;
- not a director, officer or related party of a substantial shareholder;
- not in a material contractual relationship with the Company;
- free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- not a director, officer or related party of a third party dealing with the Company or professional adviser or material consultant, to the Company or a material supplier.

Based on disclosure provided by the Directors to the Board, the Chairman of the Board, Mr R. N. Scott is considered to meet the independence criteria.

Although the Company does not have a majority of independent directors, the Board considers that the current composition of the Board best suits the Company's present activities and level of operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

The Board will maximise the non-executive and independent representation on the Board within the constraints of prudent management practice.

Corporate Governance Statement (continued)

Board Committees

The Company has established an Audit Committee, which meets generally twice a year. Its role is to assist the Board in fulfilling its responsibilities for the Company's financial reporting, audit, internal control and financial risks. The Managing Director, Chief Financial Officer and the external auditors are usually in attendance at Audit Committee meetings by invitation.

Mr Scott is the sole member of the Audit Committee. Therefore, the composition of the Company's Audit Committee is less than the minimum three member composition required under the best practice recommendations. The Board considers that the current structure of the Audit Committee is appropriate given the current size and structure of the Company. Mr Scott possesses the requisite financial expertise necessary to effectively carry out the Audit Committee's mandate (refer to the Directors' Report for qualifications and attendance at Audit Committee meetings). Mr Scott is able to seek independent external advice on industry-related aspects in carrying out his duties on the Audit Committee to ensure the integrity of the financial statements. The Committee follows a formal Audit Committee Charter.

Currently, a separate Nomination Committee has not been formed. The Board considers that based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The full Board carries out the duties of the Nomination Committee. If a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board considers candidates with the appropriate expertise and experience. In so acting, the full Board follows the Nomination Committee Charter.

Remuneration Committee responsibilities are also carried out by the full Board. Due to the size of the Company, a separate remuneration committee has not been established. The Board determines the level of remuneration for Directors based on the provision of services to the Company. Remuneration levels are set with reference to industry and market conditions and with regard to the size, nature and volume of operations and overall market capitalisation of the Company.

Details of the Company's remuneration policy are set out in the Remuneration Report included in the Directors' Report in this Annual Report. Additional Board Committees may be formed temporarily for specific purposes and/or to exercise specified authority of the Board. The Board and all Committees have established formal charters, which are available on the Company's website.

Ethical and Responsible Decision Making

The Board has adopted a Code of Conduct which provides guidance to directors and employees on the standards of behaviour expected in the discharge of their duties on behalf of the Company. The Code is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately and requires business affairs to be conducted ethically and with integrity. A copy of the Code is available on the Company's website.

The Chairman is responsible for leading the Board, ensuring its activities are organised and efficiently conducted and for ensuring that Directors are properly briefed for meetings and in all matters relevant to their roles and responsibilities.

The Managing Director and Company Secretary are responsible for implementing the Company's strategies, funding and operating plans and policies.

With the prior approval of the Chairman, Directors have the right, in connection to their duties to seek independent professional advice at the Company's expense.

The Board has adopted a written securities trading policy that applies to all Directors and employees. The policy provides a clear determination of when it is appropriate for Directors, officers and employees to trade in the securities of the Company. Trading in the Company securities is prohibited whilst in possession of price sensitive information.

Safeguard Integrity of Financial Reporting

The Company operates an Audit Committee, as described in the section titled "Board Committees". The number of meetings held are detailed in the Directors' Report section of the Annual Report.

The Managing Director and the Chief Financial Officer sign off in a representation letter addressed to the Audit Committee as part of the financial reporting process. The statement states that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards in accordance with section 295A of the Corporations Act 2001. The Audit Committee notes this written advice when considering the financial accounts of the Company.

The Company's current audit firm is BDO Kendalls Audit & Assurance (WA) Pty Ltd. The appointment, replacement and remuneration of the Company's auditor are a 'retained power' of the Board which is discharged by the Audit Committee.

Corporate Governance Statement (continued)

Timely and Balanced Disclosure

The Company has a continuous disclosure policy which aims to ensure timely compliance with the Company's obligations under the ASX Listing Rules. Given the small size of the Board of Directors, all material announcements are approved for release by the Managing Director. The Company is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosures.

In addition to periodic reporting, the Company ensures that all relevant information concerning the Company is available on its website.

The website also includes an option for interested parties to register their email address for direct email on Company matters.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

Information is communicated to shareholders as follows:

- regular announcements to the ASX;
- copies of all announcements, reports and topical information are posted to the website;
- newsletters are sent to shareholders periodically, providing an update of activities;
- the Chairman of the Company always provides the opportunity for shareholders to ask questions at Annual General Meetings ("AGM") and manages the question period to allow the maximum number of shareholders to do so.
- the Company's auditor attends the AGM and is also available to answer any questions on audit matters.

Risk Assessment and Management

The Board is responsible for ensuring that there are adequate policies in relation to risk management, compliance and internal control systems. The Company has developed a framework and Risk Management Policy designed to ensure financial, business and operational risks are regularly identified, assessed and monitored to enable achievement of the Company's business objectives.

Given the small number of directors on the Board, oversight of the risk management system is retained as a full Board function. The Board has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated. There is no formal internal control function as the Company is not of a size to warrant the implementation of a separate internal control function.

Risk management is embedded in the Company's policies and procedures which has enabled the Company to pro-actively identify and manage all types of risk within the organisation. The Board aims to continually evaluate and re-assess the risk management and internal control practices of the Company to ensure current good practice is maintained, and to preserve and create value within the organisation.

Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

bioMD Limited is Quality Assured to AS/NZS ISO 9001:2008 and risk assessment procedures are in place in relation to the planning, design and development of product, including Preliminary Risk Analysis Report and Essential Requirements Checklist (a TGA guideline). The Company also has a policy in relation to Procurement Management, for the procurement of products and services.

Performance Enhancement

The Board annually self assess its collective performance and reviews each director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other directors. The Board has not formalised measures of a director's performance.

The Company's constitution specifies that all directors must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

Directors' Report

Your Directors present their report on bioMD Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2009.

Directors

The following persons were Directors of bioMD Limited 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 continuing activities of the Group consisted of:

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

Operating Result

The operating result for the year:

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loss before income tax	(1,294,184)	(1,490,265)	(986,316)	(1,362,222)
Income tax benefit	162,798	214,323	18,847	86,280
Loss for the year	(1,131,386)	(1,275,942)	(967,469)	(1,275,942)

Dividends

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

Share Capital

During the period, a non renounceable rights issue on a one-for-two basis was undertaken. 42,913,144 ordinary shares were issued at 2 cents per share, to raise a total of \$0.8 million. Funds were used for working capital to support the on-going clinical trial program for the ADAPT tissue engineering process. The offer was fully subscribed, following the placement of the shortfall of the rights issue on 4 May 2009.

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 this 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 Group 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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the Group in future financial years.

Directors' Report (continued)

Environmental Regulations

The Group is not currently subject to any environmental regulations.

Likely Developments

The likely developments in operations of the Group 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.

Information on Directors

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options
R. N. Scott FCA, MAICD	Non-Executive Chairman (Age:62) appointed 23 June 1999. 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 company non-executive directorships including: • Amadeus Energy Limited since October 1996; • Homeloans Limited since November 2000; • Australian Renewable Fuels Limited since December 2002; • New Guinea Energy Limited since July 2006; • Neptune Marine Services Ltd since May 2007; • CGA Mining Ltd since January 2009. <i>Former directorships in last 3 years</i> Non-Executive Director of ETW Ltd from July 2005 to August 2007.	Chair of the Board Member of Audit Committee	586,125	1,063,000
M. C. Bennett	Executive Director (Age:62) appointed as Managing Director since 16 July 2003. 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	9,720,000	600,000
R. E. T. Towner	Executive Director (Age: 39) appointed 16 July 2003. Mr Towner has spent over 15 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> None <i>Former directorships in last 3 years</i> Non-executive Chairman of Brainytoys Ltd from August 2005 to May 2006.		17,611,992	3,086,708

Directors' Report (continued)

Company Secretary

The Company Secretary of bioMD Limited is Caroline L. Bentley. Mrs Bentley was appointed to the position in 2000. She has extensive 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.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2009, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors		Meetings of Audit Committee	
	A	B	A	B
Robert N. Scott	9	9	2	2
Michael C. Bennett	9	9	**	**
Robert E. T. Towner	9	9	**	**

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, Election and Continuation in Office of Directors

Mr Michael Bennett is the Director retiring by rotation, who, being eligible, offers himself for re-election.

Remuneration Report

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 Service agreements
- D Share-based compensation

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. 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 as follows:

Robert Scott	Non-Executive Chairman
Michael Bennett	Managing Director
Robert Towner	Executive Director

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.

Directors' Report (continued)

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. The Non-Executive Director's fees and payments are reviewed annually by the Board. The Non-Executive Chairman's 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 May 2009 when the benefits were unchanged from the previous year. 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 2004 Annual General Meeting).

The Non-Executive Director's 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 per annum and was approved by shareholders at the 2002 Annual General Meeting.

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 Directors' 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 Annual General Meeting on 28 October 2004).

The combination of these components comprises the Executive Directors' total remuneration.

Service agreements are in place for Executive Directors which provide 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, and as such there are no performance related links to the existing remuneration policies.

The following table shows the gross revenue, losses and share price of the Group at the end of the respective financial years:

	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009
Revenue	71,820	205,887	165,309	115,308	147,977	59,043
Net loss	(650,347)	(1,767,760)	(1,177,080)	(2,237,442)	(1,275,942)	(1,131,386)
Share price	17 cents	4.5 cents	4.6 cents	14 cents	5.5 cents	4.4 cents

Directors' Report (continued)

B Details of Remuneration

Details of the remuneration of the Directors of the Group is set out below:

	Short-term benefits			Post-employment benefits	Non-monetary benefits	Share based benefits	Total	Percentage remuneration consisting of options for the year
	Directors fees	Consulting fees	Salary	Super-annuation		Equity options		
2009	\$	\$	\$	\$		\$		
Non-Executive Director								
R. Scott	42,200	-	-	3,800	-	-	46,000	-%
Executive Directors								
M. Bennett	-	300,000	-	-	8,760	-	308,760	-%
R. Towner	-	200,000	-	-	8,760	-	208,760	-%
Total key management personnel compensation (Group)	42,200	500,000	-	3,800	17,520	-	563,520	

	Short-term benefits			Post-employment benefits	Non-monetary benefits	Share based benefits	Total	Percentage remuneration consisting of options for the year
	Directors fees	Consulting fees	Salary	Super-annuation		Equity options		
2008	\$	\$	\$	\$		\$		
Non-Executive Director								
R. Scott	42,200	-	-	3,800	-	-	46,000	-
Executive Directors								
M. Bennett	-	300,000	-	-	7,560	-	307,560	-
R. Towner	-	200,000	-	-	7,560	-	207,560	-
Total key management personnel compensation (Group)	42,200	500,000	-	3,800	15,120	-	561,120	

(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).

(3) Company secretarial services are provided by Amadeus Energy Limited (refer to Note 25(d)).

Directors' Report (continued)

Remuneration Report

C Service 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.

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 – 5 years from 1 July 2006;
- Base fee of \$300,000 for the year ended 30 June 2009, 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 – 5 years from 1 July 2006;
- Base fee of \$200,000 for the year ended 30 June 2009, 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 Directors 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 six month notice period of termination, then three 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 per annum, reviewed annually.

	Agreement start date	Agreement end date	Notice period	Termination benefits if terminated by the Company
Executive Directors				
M. C. Bennett	1 July 2006	30 June 2011	6 months	3 months of base fee
R. E. Towner	1 July 2006	30 June 2011	6 months	3 months of base fee

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 Plan is used to reward Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. There are no performance requirements to be met before exercise can take place. The Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan 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. The issue of options is not linked to performance conditions because setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Company's performance.

Directors' Report (continued)

The terms and conditions of each grant of Plan options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
16 Nov 2006	16 Nov 2006	16 Nov 2010	10 cents	5.11 cents
19 Mar 2008	19 Mar 2008	19 Mar 2011	10 cents	5.27 cents

Options granted under the ESOP carry no dividend or voting rights. The grant date equals the vesting date for all options.

Details of options over ordinary shares in the Company provided as remuneration to each Director is set out below. When exercisable, each option is convertible into one ordinary share of bioMD Limited. Further information is set out in Note 26 to the financial statements.

Name	Number of options granted/vested during the year	
	2009	2008
Directors		
R. N. Scott	-	-
M. C. Bennett	-	-
R. E. Towner	-	-
Company Secretary		
C. L. Bentley	-	-

During the year no Plan options were issued to Directors. (2008: nil)

No shares have been issued to Directors as a result of the exercise of any Plan options in the current financial year. (2008: nil)

Shares Under Option

Unissued ordinary shares of bioMD Limited 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
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
14 Dec 2007	30 Aug 2010	25 cents	6,264,476	N/A
19 Mar 2008	19 Mar 2011	10 cents	600,000	5.27 cents
Total			9,914,476	

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.

150,000 options lapsed on 1 November 2008 with an exercise price of \$0.15 per option and a further 300,000 options lapsed on 1 February 2009 with an exercise price of \$0.15 per option. (2008: 64,104,626 options lapsed on 30 August 2007 with an exercise price of \$0.20 per option.)

During the period, 42,913,144 ordinary shares were issued and listed on 6 April and 4 May 2008 under a rights issue prospectus dated 16 February 2009. The funds raised of \$858,263 were applied to working capital to fund the development of the ADAPT advanced tissue engineering process.

During the period no ESOP options were issued. (2008: 600,000 ESOP options were issued on 19 March 2008 to an employee of the Company).

During the period no options were exercised. (2008: 35,494 ordinary shares were issued upon the exercise of options at 20 cents per option).

Directors' Report (continued)

Insurance of Officers

During the year, bioMD Limited paid a premium of \$22,082 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 & 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:

	2009 \$	2008 \$
Audit Services		
BDO Kendalls Audit & Assurance (WA) Pty Ltd		
Audit and review of financial reports	27,343	24,025
Non-audit Services		
Other assurance services		
Related practices of BDO Kendalls:		
AIFRS accounting services	-	2,311
Taxation services		
Related practices of BDO Kendalls:		
Taxation compliance services	-	26,200
Other services		
Related practices of BDO Kendalls: Benchmarking services	-	1,545
Total remuneration for non-audit services	-	30,056

Directors' Report (continued)

Auditor

BDO Kendalls Audit & 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.



Robert N. Scott
Non-Executive Chairman

Perth, Western Australia
Dated this 27th day of August 2009

Auditor's Independence Declaration



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
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Phone 61 8 9380 8400
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www.bdo.com.au

ABN 79 112 284 787

27th August 2009

The Directors
bioMD Limited
11 / 225 St Georges Terrace
PERTH WA 6000

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF bioMD LIMITED

As lead auditor of bioMD Limited for the year ended 30 June 2009, 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 entity it controlled during the period.

Peter Toll
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

Income Statements

For the Year Ended 30 June 2009

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue from continuing operations	3	59,043	147,977	370,176	395,745
Administrative expenses		(1,141,750)	(1,273,322)	(873,217)	(923,633)
Employee benefits	4	(157,040)	(180,643)	(157,040)	(180,643)
Asset write-downs	4	(6,890)	-	(6,890)	-
Impairment expense	4	(36,075)	(176,495)	(312,613)	(649,590)
Depreciation expense	4	(11,472)	(7,782)	(6,732)	(4,101)
		(1,353,227)	(1,638,242)	(1,356,492)	(1,757,967)
Loss before income tax from continuing operations		(1,294,184)	(1,490,265)	(986,316)	(1,362,222)
Income tax benefit	5	162,798	214,323	18,847	86,280
Loss for the year		(1,131,386)	(1,275,942)	(967,469)	(1,275,942)
Loss is attributable to:					
Equity holders of bioMD Limited		(1,020,112)	(1,126,607)	(967,469)	(1,275,942)
Minority interest		(111,274)	(149,335)	-	-
		(1,131,386)	(1,275,942)	(967,469)	(1,275,942)
Earnings/(Loss) per share (cents per share)	18	Cents	Cents		
Basic loss per share		(1.09)	(1.32)		
Diluted loss per share		(1.09)	(1.32)		

The above Income Statements should be read in conjunction with the accompanying notes.

Balance Sheets

As At 30 June 2009

		CONSOLIDATED		THE COMPANY	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
ASSETS					
Current Assets					
Cash and cash equivalents	20	1,249,650	1,448,627	1,071,150	1,128,477
Other receivables	6	19,677	74,359	338,358	54,652
Total Current Assets		1,269,327	1,522,986	1,409,508	1,183,129
Non-Current Assets					
Property, plant & equipment	8	31,888	40,994	9,075	18,542
Other financial assets	7	-	-	-	305,991
Intangible assets	9	-	-	-	-
Total Non-Current Assets		31,888	40,994	9,075	324,533
TOTAL ASSETS		1,301,215	1,563,980	1,418,583	1,507,662
LIABILITIES					
Current Liabilities					
Trade and other payables	10	137,080	126,720	110,543	90,415
Borrowings	11	20,013	20,013	-	-
Total Current Liabilities		157,093	146,733	110,543	90,415
Non-Current Liabilities					
Provisions	12	46,077	28,630	46,077	28,630
Total Non-Current Liabilities		46,077	28,630	46,077	28,630
TOTAL LIABILITIES		203,170	175,363	156,620	119,045
NET ASSETS		1,098,045	1,388,617	1,261,963	1,388,617
EQUITY					
Contributed equity	14	8,976,132	8,135,317	8,976,132	8,135,317
Reserves	15	184,630	184,630	184,630	184,630
Accumulated losses	15	(8,135,337)	(7,115,224)	(7,898,799)	(6,931,330)
Capital and reserves attributable to equity holders of bioMD Limited		1,025,425	1,204,723	1,261,963	1,388,617
Minority interest	16	72,620	183,894	-	-
TOTAL EQUITY		1,098,045	1,388,617	1,261,963	1,388,617

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

Statements of Changes In Equity

For the Year Ended 30 June 2009

	CONSOLIDATED					
	Share Capital \$	Share Based Reserves \$	Accumulated Losses \$	Total \$	Minority Interest \$	Total Equity \$
Balance at 1 July 2007	7,848,502	145,570	(5,988,617)	2,005,455	333,229	2,338,684
Loss for the year	-	-	(1,126,607)	(1,126,607)	(149,335)	(1,275,942)
Total recognised income and expense for the year	-	-	(1,126,607)	(1,126,607)	(149,335)	(1,275,942)
Issue of shares (net of transaction costs)	286,815	-	-	286,815	-	286,815
Employee share options	-	39,060	-	39,060	-	39,060
	286,815	39,060	-	325,875	-	325,875
Balance at 1 July 2008	8,135,317	184,630	(7,115,224)	1,204,723	183,894	1,388,617
Loss for the year	-	-	(1,020,113)	(1,020,113)	(111,274)	(1,131,387)
Total recognised income and expense for the year	-	-	-	-	-	-
Issue of shares (net of transaction costs)	840,815	-	-	840,815	-	840,815
Balance at 30 June 2009	8,976,132	184,630	(8,135,337)	1,025,425	72,620	1,098,045

	THE COMPANY			
	Share Capital \$	Share Based Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2007	7,848,502	145,570	(5,655,388)	2,338,684
Loss for the year	-	-	(1,275,942)	(1,275,942)
Total recognised income and expense for the year	-	-	(1,275,942)	(1,275,942)
Issue of shares (net of transaction costs)	286,815	-	-	286,815
Employee share options	-	39,060	-	39,060
	286,815	39,060	-	325,875
Balance at 1 July 2008	8,135,317	184,630	(6,931,330)	1,388,617
Loss for the year	-	-	(967,469)	(967,469)
Total recognised income and expense for the year	-	-	-	-
Issue of shares (net of transaction costs)	840,815	-	-	840,815
Balance at 30 June 2009	8,976,132	184,630	(7,898,799)	1,261,963

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

Cash Flow Statements

For the Year Ended 30 June 2009

		CONSOLIDATED		THE COMPANY	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers / ATO refunds		42,816	251,404	523,291	419,725
Payment to suppliers		(1,103,565)	(1,264,087)	(1,343,525)	(937,775)
		(1,060,749)	(1,012,683)	(820,234)	(518,050)
Interest received		66,303	91,046	32,884	53,347
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20	(994,446)	(921,637)	(787,350)	(464,703)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment to related entity		-	-	(100,000)	-
Payments for property, plant & equipment		(9,600)	(23,020)	(4,500)	(11,575)
Payments for intangible assets		(36,075)	(40,495)	(6,621)	(18,953)
Proceeds from sale of plant and equipment		329	-	329	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(45,346)	(63,515)	(110,792)	(30,528)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		858,263	320,203	858,263	320,203
Share issue transaction costs		(17,448)	(33,388)	(17,448)	(33,388)
NET CASH INFLOW FROM FINANCING ACTIVITIES		840,815	286,815	840,815	286,815
NET DECREASE IN CASH HELD		(198,977)	(698,337)	(57,327)	(208,416)
CASH AT BEGINNING OF THE YEAR		1,448,627	2,146,964	1,128,477	1,336,893
CASH AT THE END OF THE YEAR	20	1,249,650	1,448,627	1,071,150	1,128,477

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes To The Financial Statements

For the Year Ended 30 June 2009

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 (together referred to as the 'Group').

The financial report was authorised for issue in accordance with a resolution of the Directors on 27 August 2009.

(a) Basis of Preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASB'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial report has been prepared on the basis of the historical cost convention and is presented in Australian dollars.

Statement of Compliance

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 International Financial Reporting Standards ('IFRS').

New accounting standards and interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2009 reporting periods. The Group has not applied any of the following in preparing this financial report:

Affected Standard	Nature and Impact of Change to Accounting Policy	Application
AASB 8: Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	No impact on accounting policy or amounts recognised in the financial statements, but will require change to disclosures in relation to 'management approach' of segment reporting	1 January 2009
AASB 123 : Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123.	No impact on financial statements as no borrowing costs incurred by the Group to date	1 January 2009
AASB 101: Presentation of Financial Statements and AASB 2007-8 and AASB 2007-10 Amendments to Australian Accounting Standards arising from AASB 101	Introduces a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements.	1 January 2009
AASB 3 : Business Combinations and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.	As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.	1 July 2009
AASB 127 : Consolidated and Separate Financial Statements and AASB 2008-7 Amendments to Australian Accounting Standards arising from AASB 127.	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted. Celxcel Pty Ltd is incurring losses. To the extent that Celxcel incurs losses for the financial year ending 30 June 2010, such losses will be attributed to the non-controlling interest. No adjustment will be made to comparatives for losses not previously attributed to the non-controlling interest.	1 July 2009
AASB 2008-1 Amendments to AASB 2 Share Based Payments: Vesting Conditions and Cancellations	The definition of vesting conditions has changed. To date the company has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when the revised standard is adopted for the first time.	1 January 2009
AASB 2009-2 Amendments to Australian Accounting Standards – Improving disclosures about financial instruments	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the company's liquidity risk.	1 January 2009

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

1. Summary of Significant Accounting Policies (continued)

(b) Principles of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being bioMD Limited ("Company" or "Parent Entity") and its subsidiary as defined in AASB 127: Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of the subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Acquisitions of entities are accounted for using the purchase method of accounting.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Investments in subsidiaries are accounted for at cost in the financial report of bioMD Limited.

(c) 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.

(d) Revenue Recognition

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

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Lease income

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

(e) Government Grants

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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

1. Summary of Significant Accounting Policies (continued)

(f) Income Tax

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

Deferred income tax is provided in full, using the liability method, on temporary 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 when 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 is 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.

(g) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee 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.

(h) 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 recognised directly in equity.

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 re-assessment of the identification and measurement of the net assets acquired.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

1. Summary of Significant Accounting Policies (continued)

(i) 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.

(j) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents include 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. Bank overdrafts are shown in current liabilities on the balance sheet.

(k) Investments and Other Financial Assets

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

(l) Derivatives and Hedging Activities

The Group does not undertake any derivative or hedging activities.

(m) Property, Plant and Equipment

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 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 the carrying amount. These are included in the income statement.

(n) 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

Costs associated with patents are recognised at cost of acquisition. Patents have an indefinite life and are carried at cost less any accumulated amortisation and any impairment losses.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

1. Summary of Significant Accounting Policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised as an expense as 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 overheads. Other development expenditure is recognised in the income statement as an expense as incurred. To date, no development costs have been capitalised.

(o) Trade and Other Payables

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

(p) 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.

(q) Employee Benefits

General

Employee benefits expenses arising in respect of wages and salaries, annual leave, long service leave and other types of employee benefits are charged to the income statement in the period in which they are incurred. Contributions to superannuation funds by the Company are charged to the income statement when due. A superannuation scheme is not maintained on behalf of employees.

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are measured at undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay at reporting date.

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.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

1. Summary of Significant Accounting Policies (continued)

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.

(r) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) 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.

Options granted under the bioMD Share Option Plan 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 included in the determination of basic earnings per share. Details relating to the options are set out in Note 26.

(t) Goods and Services Tax (GST)

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

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

(u) Trade Receivables

Trade receivables are recognised initially at fair value and then subsequently measured at amortised cost. Trade receivables are due for settlement within 30 days from the date of the sale.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(v) Accounting Estimates and Judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period 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 using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks (including interest rate risk, credit risk and liquidity risk). The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments, however, the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, aging analysis for credit risk and at present are not exposed to price risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The Group and the Company hold the following financial instruments:

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial assets				
Cash and cash equivalents	1,249,650	1,448,627	1,071,150	1,128,477
Other receivables	19,677	74,359	338,358	54,652
	1,269,327	1,522,986	1,409,508	1,183,129
Financial liabilities				
Trade and other payables	137,080	126,720	110,543	90,415
Borrowings	20,013	20,013	-	-
	157,093	146,733	110,543	90,415

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.

On 9 March 2009 the parent entity provided a \$100,000 loan to Celxcel (unsecured) at market interest rates, with no fixed term for repayment between the parties. The average interest rate on the loan during the year was 8.95% (2008: N/A).

The main purpose of the financial instruments is to fund the Group's 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 and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Market Risk

(i) Foreign exchange risk

The Company does not currently operate internationally and therefore its exposure to foreign exchange risk arising from currency exposures is limited.

(ii) Price risk

The Group is not exposed to equity securities price risk and holds no equity investments. The Group is not exposed to any price risks as the Group is carrying out development/commercialisation stage of the technology and no sales of product have been made to date.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

2. Financial Risk Management (continued)

(iii) Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Company does not consider this to be material to the Group and has therefore not undertaken any further analysis of risk exposure.

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

30 June 2009 Consolidated	Note	Weighted average interest rate	1 year or less \$	2-5 years \$	Total \$
Financial assets					
Cash and cash equivalents	20	2.45%	1,249,650	-	1,249,650
Financial liabilities					
Borrowings	11	0%	(20,013)	-	(20,013)
Total			1,229,637	-	1,229,557

30 June 2008 Consolidated	Note	Weighted average interest rate	1 year or less \$	2-5 years \$	Total \$
Financial assets					
Cash and cash equivalents	20	6.88%	1,448,627	-	1,448,627
Financial liabilities					
Borrowings	11	0%	(20,013)	-	(20,013)
Total			1,428,614	-	1,428,614

30 June 2009 Company	Note	Weighted average interest rate	1 year or less \$	2-5 years \$	Total \$
Financial assets					
Cash and cash equivalents	20	2.84%	1,071,150	-	1,071,150

30 June 2008 Company	Note	Weighted average interest rate	1 year or less \$	2-5 years \$	Total \$
Financial assets					
Cash and cash equivalents	20	7.10%	1,128,477	-	1,128,477

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

2. Financial Risk Management (continued)

(b) Credit Risk

The Group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure, including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 2.

The Group credit quality of financial assets that are neither past due not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash at bank and short-term bank deposits				
AA	1,249,650	1,448,627	1,071,150	1,128,477

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Group's exposure to the risk of changes in market interest rates relates 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.

The Directors monitor the cash-burn rate of the Group on an ongoing basis against budget.

As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest-bearing and were due within the normal 30-60 days terms of creditor payments. Borrowings consist of loans from external shareholders of Celxcel Pty Ltd, which are payable at call and interest-free.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2009	Less than 6 months \$	6-12 months	1-2 years \$	2-5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets)/ liabilities \$
Non-derivatives							
Trade and other payables	137,080	-	-	-	-	137,080	137,080
Non-interest bearing	20,013	-	-	-	-	20,013	20,013
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	157,013	-	-	-	-	157,013	157,013

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

2. Financial Risk Management (continued)

Group – At 30 June 2008	Less than 6 months \$	6-12 months \$	1-2 years \$	2-5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets)/ liabilities \$
Non-derivatives							
Trade and other payables	126,720					126,720	126,720
Non-interest bearing	20,013	-	-	-	-	20,013	20,013
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	146,733	-	-	-	-	146,733	146,733

(d) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

The consolidated entity's principal 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.

(e) Sensitivity Analysis

A sensitivity analysis has not been performed on interest rate risk for the Group or the Company, as the results are deemed immaterial to the Group.

3. Revenues

Revenue from continuing operations

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Finance revenue	47,043	103,788	46,176	71,645
Administration services income	-	-	312,000	312,000
Sub-lease rental income	12,000	12,000	12,000	12,000
Grant income	-	32,089	-	-
Other income	-	100	-	100
Total revenue from continuing operations	59,043	147,977	370,176	395,745
Breakdown of Finance Revenue:				
Bank interest	47,043	103,788	43,332	71,645
Interest from controlled entity	-	-	2,844	-
	47,043	103,788	46,176	71,645

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

		CONSOLIDATED		THE COMPANY	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
4. Expenses					
Loss before income tax includes the following specific expenses:					
Consultancy costs		757,750	774,249	577,450	571,160
Rental expense relating to operating leases		26,070	26,070	26,070	26,070
Depreciation					
Plant & equipment	8	11,472	7,782	6,732	4,101
Research and development costs		17,957	16,445	-	12,614
Write-down of plant & equipment		6,890	-	6,890	-
Impairment of assets:					
Intangibles – patents	9	36,075	176,495	6,622	18,953
Investment in subsidiary	7	-	-	305,991	630,637
Total impairment losses		36,075	176,495	312,613	649,590
Employee benefits expense					
Wages and salaries		86,492	54,218	86,492	54,218
Superannuation		10,550	10,302	10,550	10,302
Leave provisions		53,132	48,139	53,132	48,139
Other benefits		6,866	36,364	6,866	36,364
Share based payments – equity settled	24	-	31,620	-	31,620
		157,040	180,643	157,040	180,643

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

5. Income Tax Expense/(Benefit)

(a) Income tax expense/(benefit)

Current tax

Deferred tax

R and D tax rebate

Deferred income tax (revenue)/expense included in income tax expense comprises:

Decrease/(Increase) in deferred tax assets

(Decrease)/Increase in deferred tax liabilities

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

Loss from continuing operations before income tax expense

Tax at the Australian tax rate of 30% (2008:30%)

Tax effect of amounts that are not deductible/ (taxable) in calculating taxable income:

Share based payments

Sundry non-assessable/deductible items

Sundry non-deductible items

Under/(over) provision in prior years

Income tax benefit not recognised

R and D tax rebate

Income tax expense/(benefit)

(c) Tax losses

Unused tax losses for which no deferred tax assets have been recognised

Potential tax benefit at 30%

All unused tax losses were incurred by Australian entities.

(d) Unrecognised temporary differences

Deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets

Tax losses

Other temporary differences

Deferred tax liabilities

Other temporary differences

Net deferred tax assets

CONSOLIDATED		THE COMPANY	
2009 \$	2008 \$	2009 \$	2008 \$
-	-	-	-
-	-	-	-
(162,798)	(214,323)	(18,847)	(86,280)
(162,798)	(214,323)	(18,847)	(86,280)
-	-	-	-
-	-	-	-
-	-	-	-
(1,294,185)	(1,490,265)	(986,316)	(1,362,222)
(388,255)	(447,080)	(295,895)	(408,667)
-	11,718	-	11,718
94,443	(13,736)	94,443	126,838
(2,060)	825	(2,060)	733
(295,872)	(448,273)	(203,512)	(269,378)
-	-	-	-
295,872	448,273	203,512	269,378
(162,798)	(214,323)	(18,847)	(86,280)
(162,798)	(214,323)	(18,847)	(86,280)
5,787,836	5,106,269	4,717,514	4,245,811
1,736,351	1,531,881	1,415,254	1,273,743
1,736,351	1,531,881	1,415,254	1,273,743
138,739	107,030	117,486	560,482
(2,649)	(8,693)	(2,846)	7,994
1,872,441	1,630,218	1,529,894	1,842,219

(e) Tax consolidation legislation

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

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

		CONSOLIDATED		THE COMPANY	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
6. Other Receivables					
Current					
Other receivables		17,515	52,937	233,352	36,354
Accrued Interest		2,162	21,422	5,006	18,298
Loan to controlled entity – unsecured	23	-	-	100,000	-
		19,677	74,359	338,358	54,652

Other receivables arise from GST refunds expected from the ATO for June 2009.

There are no impaired receivables for both the Group and the parent entity in 2008 or 2009. There are no receivables past due but not impaired.

Refer to Note 2 for information on the risk management policy of the Group.

		CONSOLIDATED		THE COMPANY	
	Note	2009 \$	2008 \$	2009 \$	2008 \$
7. Other Financial Assets					
Shares in subsidiary	13	-	-	1,858,920	1,858,920
Provision for impairment		-	-	(1,858,920)	(1,552,929)
		-	-	-	305,991

The shares in subsidiary are carried at cost. For further information in relation to the subsidiary – refer to Note 13.

		CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
8. Property, Plant & Equipment					
Plant & equipment					
Cost		82,400	84,890	46,650	54,240
Accumulated depreciation		(50,512)	(43,896)	(32,575)	(35,698)
Net book amount		31,888	40,994	9,075	18,542
Reconciliation					
Opening net book amount		40,994	25,756	18,542	11,067
Additions		9,600	23,020	4,500	11,576
Disposals		(368)	-	(369)	-
Asset write-down		(6,866)	-	(6,866)	-
Depreciation charge		(11,472)	(7,782)	(6,732)	(4,101)
Closing net book amount		31,888	40,994	9,075	18,542

No non-current assets are pledged as security by the Group.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

9. Intangible Assets

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Patents	-	-	-	-
Patent costs				
Opening net book value	-	-	-	-
Additions - acquisitions	36,075	176,495	6,622	18,953
Impairment charge	(36,075)	(176,495)	(6,622)	(18,953)
Closing net book value	-	-	-	-

All intangible assets have been assessed to have an indefinite useful life, as the assets are at a point too early to reliably determine the length of their useful life. 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 a result, both intellectual property and patent costs have been fully impaired at the date of this financial report.

No third party contracts have been signed to date. This does not in anyway reflect the Directors' opinion as to the future potential of the ADAPT technology.

10. Current Liabilities – Trade and Other Payables

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade payables	55,761	71,586	29,224	39,281
Other payables	81,319	55,134	81,319	51,134
	137,080	126,720	110,543	90,415

11. Current Liabilities - Borrowings

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Loans payable	20,013	20,013	-	-

(a) Financing Arrangements

The loans are unsecured, interest-free and repayable at call to third-party shareholders in Celxcel Pty Ltd.

The Group does not have any lines of undrawn credit and no liabilities or assets are pledged as security.

(b) Fair Value

The fair value of the loans payable equals their carrying amount, as the impact of discounting is not significant.

No off-balance sheet liabilities are reported as at 30 June 2009 (2008: Nil)

(c) Risk Exposure

Information about the Group's and parent entity's exposure to interest rate risk is provided in Note 2.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

12. Non Current Liabilities – Provisions	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Long service leave provision	46,077	28,630	46,077	28,630

13. Subsidiaries

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

Name of entity	Country of Incorporation	Class of Shares	Equity Holding	
			(%) 2009	(%) 2008
Celxcel Pty Ltd	Australia	Ordinary	76.32	76.32

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

14. Contributed Equity	SHARES		\$	
	2009	2008	2009	2008
(a) Share Capital				
Ordinary shares				
Fully paid	128,823,113	85,909,969	128,823,113	8,135,317

(b) Movements in Ordinary Share Capital

Details	Date	Notes	No. shares	Issue Price	\$
Opening balance	1/07/06		84,308,356		7,848,502
Conversion of options	4/09/07	(d)	35,494	0.20	6,979
Rights issue	12/07/07	(c)	1,566,119	0.20	313,224
Transaction costs					(33,388)
Balance	30/06/08		85,909,969		8,135,317
Rights issue	06/04/09	(e)	21,062,439	0.02	421,249
Rights issue - shortfall	04/05/09	(e)	21,850,705	0.02	437,014
Transaction costs					(17,448)
Balance	30/06/09		128,823,113		8,976,132

(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.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

(d) Shares Under Option

On 4 September 2007 35,494 listed options were converted into ordinary shares.

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 24.

Options over ordinary shares:

9,914,476 options on issue as at 30 June 2009 (2008: 6,264,476 listed options).

(e) Rights Issue

A Rights Issue raised \$858,263 via the issue of 42,913,144 ordinary shares at 2 cents per share. The Rights Issue Prospectus was dated 12 February 2009, offering one share for every two ordinary shares held by eligible shareholders. Funds were used for working capital to support the on-going clinical trial program for the ADAPT tissue engineering process. The offer was fully subscribed, following the placement of shortfall of the rights issue on 4 May 2009.

(f) Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital.

The Board of Directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital or gearing ratios as the Group has not derived any income from the developing technology and currently has no debt facilities in place.

15. Reserves and Accumulated Losses

(a) Reserves

Share-based payments reserve

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Share-based payments reserve	-	184,630	-	184,630
Movements:				
Share based payments reserve:				
Balance 1 July	184,630	145,570	184,630	145,570
Option expense	-	39,060	-	39,060
Balance 30 June	184,630	184,630	184,630	184,630

(b) Accumulated Losses

Movements in accumulated losses were as follows:

Balance 1 July	(7,115,224)	(5,988,617)	(6,931,330)	(5,655,388)
Net loss attributable to members of the Company	(1,020,113)	(1,126,607)	(967,469)	(1,275,942)
Balance 30 June	(8,135,337)	(7,115,224)	(7,898,799)	(6,931,330)

(c) Nature and Purpose of Reserves

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

16. Minority Interest

Interest in:

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Share Capital	584,389	584,389	-	-
Accumulated losses	(511,769)	(400,495)	-	-
	72,620	183,894	-	-

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

17. 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:

(a) Audit Services

BDO Kendalls Audit & Assurance (WA) Pty Ltd

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

(b) Non-audit Services

Taxation services

Related entities to BDO Kendalls Audit and Assurance (WA) Pty Ltd

Non-BDO firms

Other services

Related entities to BDO Kendalls (WA) Pty Ltd

Benchmarking services

AIFRS accounting services

Non-BDO firms

AIFRS accounting services

Total remuneration for non-audit services

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
	27,343	24,025	19,834	16,512
	-	26,200	-	15,600
	24,200	-	10,600	-
	24,200	26,200	10,600	15,600
	-	1,545	-	1,545
	-	2,311	-	2,311
	5,000	-	5,000	-
	5,000	30,056	5,000	19,456

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 accounting assistance under AIFRS.

18. Earnings Per Share

(a) Weighted Average Number of Shares Used as the Denominator

Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share

Adjustment for calculation of diluted earnings per share:

Options

Weighted average number of ordinary shares used in the denominator in calculating diluted earnings per share

(b) Earnings Used in Calculating Earnings/(Loss) Per Share

Basic earnings/(loss) per share

Diluted earnings/(loss) per share

CONSOLIDATED	
2009 Number	2008 Number
94,227,222	85,206,186
-	-
94,227,222	85,206,186
(1,020,112)	(1,126,607)
(1,020,112)	(1,126,9607)

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

(c) Information concerning classification of securities

Options:

No listed or unlisted options of bioMD Limited have been included in the determination of basic earnings/(loss) per share because all options on issue have an exercise price above the market share price of the Company as at year end.

Details relating to options granted under the bioMD Employee Share Option Plan (ESOP) are outlined in Note 24.

19. Commitments

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

(a) Operating Lease Commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year

Later than one year but no later than five years

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 were renegotiated.

(b) Other Commitments - CSIRO

Within one year

Later than one year but no later than five years

The Company is party to a research agreement with CSIRO.

20. Reconciliation of Loss After Income Tax To Net Cash Outflow From Operating Activities

(a) Reconciliation to Cash at the End of the Year

Cash at bank and in hand

Deposits at call

Total cash at the end of the year

(b) Cash at Bank and On Hand

These are interest bearing accounts held at bank with average interest rates of 0.15%. (2008: 3.85%)

(c) Deposits At Call

The deposits bear floating interest rates at 3.12% pa. (2008: 7.3% to 7.85%)

The deposits have an average maturity of 30 days.

CONSOLIDATED		THE COMPANY	
2009	2008	2009	2008
\$	\$	\$	\$
14,300	27,997	14,300	27,997
-	14,300	-	14,300
14,300	42,297	14,300	42,297
-	117,000	-	117,000
-	-	-	-
-	117,000	-	117,000

CONSOLIDATED		THE COMPANY	
2009	2008	2009	2008
\$	\$	\$	\$
276,689	244,621	98,189	138,471
972,961	1,204,006	972,961	990,006
1,249,650	1,448,627	1,071,150	1,128,477

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

Reconciliation of Loss after Income Tax to Net Cash Outflow from Operating Activities (continued)

(d) Interest Risk Exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 2.

	CONSOLIDATED		THE COMPANY	
(e) Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities	2009	2008	2009	2008
	\$	\$	\$	\$
Loss for the year	(1,131,386)	(1,275,942)	(967,469)	(1,275,942)
Depreciation expense	11,472	7,782	6,732	4,101
Asset write-down	6,890	-	6,890	-
Impairment charge	36,075	176,495	312,613	649,590
Long service leave	-	-	17,462	24,828
Straight line lease rental	916	(916)	(832)	(916)
Accrued interest	19,274	(12,741)	13,292	(18,298)
Income tax benefit	-	219,635	-	188,691
Non-cash employee benefits expense - Share Based payments	-	39,060	-	39,060
(Increase)/decrease in receivables	35,422	(6,233)	(196,998)	(3,734)
Increase/(decrease) in creditors	(26,241)	(116,916)	(14,723)	(95,393)
Increase/(decrease) in other provisions	53,132	48,139	35,685	23,310
Net cash outflow from operating activities	(994,446)	(921,637)	(787,350)	(464,703)

21. Segment Reporting

(a) Description of Segments

Business Segments

The Group operates in two primary business segments:

- the development of bioimplants; and
- the development and commercialisation of medical therapy products.

Geographical Segments

The Group operates are in one geographical area - Australia.

No secondary reporting format is disclosed as the Group only operates in one geographical segment.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

22. Segment Reporting (continued)

(b) Primary Reporting Format - Business Segments

	Medical therapy products \$	Bioimplants \$	Eliminations \$	Consolidated \$
2009				
Consolidated revenue	370,176	3,711	(314,844)	59,043
Segment result				
Loss before tax	986,316	613,860	(350,994)	1,294,184
Income tax benefit	(18,847)	(143,951)	-	(162,798)
Loss for year	967,469	469,910	(305,993)	1,131,386
Segment assets	1,418,583	212,165	(332,533)	1,301,215
Segment liabilities	156,620	379,083	(332,533)	203,170
Other information				
Acquisition of non-current assets	4,500	5,100	-	9,600
Depreciation	6,732	4,740	-	11,472
Asset write-down	6,890	-	-	6,890
Impairment of intangibles	312,613	29,454	(350,992)	36,075
	Medical therapy products \$	Bioimplants \$	Eliminations \$	Consolidated \$
2008				
Consolidated revenue	395,745	64,232	(312,000)	147,977
Segment result				
Loss before tax	1,362,222	758,679	(630,636)	1,490,264
Income tax benefit	(86,280)	(128,043)	-	(214,323)
Loss for year	1,275,942	630,636	(630,636)	1,275,942
Segment assets	1,507,662	373,835	(317,517)	1,563,980
Segment liabilities	119,045	67,844	(11,526)	175,363
Other information				
Acquisition of non-current assets	11,575	11,445	-	23,020
Depreciation	4,101	3,681	-	7,782
Asset write-down	-	-	-	-
Impairment of intangibles	649,590	157,542	(630,637)	176,495

(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.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

23. Key Management Personnel Disclosures

(a) Key Management Personnel

The following persons were key management personnel of bioMD Limited during the financial year:

(i) Chairman – Non-Executive

- Mr Robert Scott

(ii) Executive Directors

- Mr Michael Bennett

- Mr Robert Towner

(b) Key Management Personnel Compensation

Short-term employee benefits

Post employment benefits

Non monetary benefits

Share-based payments

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
	542,200	542,200	542,200	542,200
	3,800	3,800	3,800	3,800
	17,520	15,120	17,520	15,120
	-	-	-	-
	563,520	561,120	563,520	561,120

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options can be found in Section D of the Remuneration Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of bioMD Limited, including their personally related parties, are set out below:

2009 Name	Balance at the start of the year	Granted as compensation	Exercised	Expired	Balance at the end of the year	Unvested	Vested and exercisable
Directors of bioMD Limited							
R. Scott	1,063,000	-	-	-	1,063,000	-	1,063,000
M. Bennett	600,000	-	-	-	600,000	-	600,000
R. Towner	3,086,708	-	-	-	3,086,708	-	3,086,708

2008 Name	Balance at the start of the year	Granted as compensation	Exercised	Expired	Balance at the end of the year	Unvested	Vested and exercisable
Directors of bioMD Limited							
R. Scott	1,667,500	-	-	(604,500)	1,063,000	-	1,063,000
M. Bennett	5,653,219	-	-	(5,053,219)	600,000	-	600,000
R. Towner	10,866,770	-	-	(7,780,062)	3,086,708	-	3,086,708

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

24. Key Management Personnel Disclosures (continued)

2009	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
------	----------------------------------	---	-------------------------------	--------------------------------

Directors of bioMD Limited Ordinary shares

R. Scott	390,750	-	195,375	586,125
M. Bennett	8,170,000	-	1,550,000	9,720,000
R. Towner	11,611,721	-	6,000,271	17,611,992

2008	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
------	----------------------------------	---	-------------------------------	--------------------------------

Directors of bioMD Limited Ordinary shares

R. Scott	275,000	-	115,750	390,750
M. Bennett	8,125,938	-	44,062	8,170,000
R. Towner	10,651,080	-	960,641	11,611,721

There are no loans or other transactions at the end of the current year or prior year to Directors of bioMD Limited.

25. Related Party Transactions

(a) Parent Entity

The parent entity within the Group is bioMD Limited.

(b) Subsidiary

Interest in subsidiary is set out in Note 13.

(c) Key Management Personnel

Disclosures relating to Directors and specified executives are set out in Note 22.

(d) Transactions and Balances with Related Parties

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 from 27 November 2006 and also a sub-lease for office space for a period of 3 years from 27 November 2006. As at 30 June 2009 bioMD owes Amadeus Energy Ltd a balance of \$6,960 (2008: \$9,740).

During the current year, bioMD Limited renewed an agreement in place with Celxcel Pty Ltd to provide management and administration services for a further year from 1 April 2009. As at 30 June 2009 Celxcel owes bioMD a balance of \$229,690 (2008:\$28,600) in relation to management services.

Capstone Capital Pty Ltd, a company in which Mr R. Towner was a Director, had an agreement with the Company to sub-lease office space for a period of 1 year from 1 April 2008. On 1 January 2009 the sub-lease was taken over by Cornerstone Corporate Pty Ltd, a company in which Mr Towner is a Director. The lease has been renewed for a period of 1 year from 1 August 2008. As at 30 June 2009 Cornerstone owes bioMD Ltd a balance of \$3,300 (2008: Capstone \$5,516).

The above transactions are on commercial arms-length basis.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

25. Related Party Transactions (continued)

The following transactions occurred with related parties:

Other transactions

Remuneration paid to directors of the parent entity

Company secretarial and administration fees paid to Amadeus Energy Limited

Office recharge costs paid to Amadeus Energy Limited

Administration and management services to Celxcel Pty Ltd

Reimbursement of expenses by Celxcel to bioMD

Reimbursement of expense by bioMD to Celxcel

Sub-lease office rental from Cornerstone Corporate Pty Ltd

The following balance is outstanding at reporting date in relation to transactions with related parties:

Current receivables (administration and management services)

Subsidiary

THE COMPANY	
2009 \$	2008 \$
563,520	561,120
30,000	30,000
47,300	46,747
312,000	312,000
1,044	20,287
-	11,525
12,000	12,000
229,690	28,600

No provision for doubtful debts have been raised in relation to the outstanding balance and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(d) Loans to/from related parties

Loan to subsidiary

Beginning of the year

Loans advanced

Interest charged

End of year

THE COMPANY	
2009 \$	2008 \$
-	-
100,000	-
2,844	-
102,844	-

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense recognised in respect of bad or doubtful debts due from related parties. The outstanding loan is unsecured and repayable in cash.

26. Share Based Payments

(a) Employee Share Option Plan

The bioMD Employee Share Option Plan (ESOP) was approved by shareholders at the 2004 Annual General Meeting. Eligible Employees (as defined in the Plan and which includes Directors, employees and consultants) are able to participate in the Plan.

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

26. Share Based Payments (continued)

The terms of the ESOP include:

- Options are issued to selected Eligible Employees for free;
- The allotment of options is at the discretion of the Board of Directors;
- Shares allotted 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;
- Options expire 4 years after the grant date;
- Options are unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer; and
- Options carry no dividend rights or voting rights.

The Company has a total of 3,650,000 staff options over ordinary shares in the Company as at 30 June 2009. (2008: 3,950,000)

During the current financial year no options were issued to employees (2008: 600,000).

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

Grant date	Expiry date	Exercise price \$	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Vested and Exercisable at end of year
2009							
01-Feb-05	01-Feb-09	0.15	300,000	-	-	(300,000)	-
16-Aug-06	16-Aug-10	0.10	1,250,000	-	-	-	1,250,000
16-Nov-06	16-Nov-10	0.10	1,800,000	-	-	-	1,800,000
19-Mar-08	19-Mar-11	0.10	600,000	-	-	-	600,000
Total			3,950,000	-	-	-	3,650,000
Weighted average exercise price			\$ 0.10			\$0.15	\$0.10

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.40 years.

2008

01-Feb-05	01-Feb-09	0.15	300,000	-	-	-	300,000
16-Aug-06	16-Aug-10	0.10	1,250,000	-	-	-	1,250,000
16-Nov-06	16-Nov-10	0.10	1,800,000	-	-	-	1,800,000
19-Mar-08	19-Mar-11	0.10	-	600,000	-	-	600,000
Total			3,350,000	600,000	-	-	3,950,000
Weighted average exercise price			\$0.10	\$0.10			\$0.10

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.175 years.

(b) Expenses Arising from Share Based Payment Transactions	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:				
Options issued under employee option plan	-	31,620	-	31,620

Notes To The Financial Statements (continued)

For the Year Ended 30 June 2009

26. Share Based Payments (continued)

(c) Fair Value of Options Granted

No options were granted during the year ended 30 June 2009. The assessed fair value at grant date of options granted during the year ended 30 June 2008 was 5.27 cents per option. 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 2008 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: 19 March 2008;
- expiry date: 19 March 2011;
- share price at grant date: 11.1 cents;
- expected price volatility of the company's shares: 90%;
- expected dividend yield: 0% (based on historic volatility); and
- risk-free interest rate: 6.08%.

27. Events Occurring After the Balance Sheet Date

There have been no subsequent events to balance sheet date which would have a material effect on the Group's financial statements at 30 June 2009.

28. Dividends

No dividends have been declared or paid during the period.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statements of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and the consolidated entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.
4. 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 Board of Directors and is signed for and on behalf of the directors by:



ROBERT N. SCOTT
Non-Executive Chairman

Perth, Western Australia

Dated this 27th day of August 2009



BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF bioMD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of bioMD Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time this audit report was made.

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.



BDO Kendalls

Auditor's Opinion

In our opinion the financial report of bioMD Limited is in accordance with the *Corporations Act 2001*, including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 3 to 6 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of bioMD Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls


Peter Toll
 Director

Signed in Perth, Western Australia
 Dated this 27th day of August 2009.

Shareholder Details

The number of shares held by the substantial shareholders as at 14 August 2009:

Name	No. ordinary shares held	% of issued capital held
Ochre Health Group Pty Ltd	13,000,000	10.09
Mandolin Pty Ltd	11,924,492	9.26
Victoria Park Investments Pty Ltd	10,457,500	8.12
Parerg Pty Ltd	9,600,000	7.45

Voting rights

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

Distribution of shareholders

Number of ordinary shareholders: 860

Number of ordinary shares	No. of shareholders
1 - 1,000	138
1,001 - 5,000	143
5,001 - 10,000	127
10,001 - 100,000	330
100,001 and over	122
Total	860

Twenty Largest Shareholders

Name	No. ordinary shares held	% of issued capital held
Ochre Health Group Pty Ltd	13,000,000	10.09
Mandolin Pty Ltd	11,924,492	9.26
Victoria Park Investments Pty Ltd	10,457,500	8.12
Parerg Pty Ltd	9,600,000	7.45
R E T Towner	5,687,500	4.41
Towner <Marybrook investment A/c>	2,821,127	2.19
Hooker & Associates Pty Ltd	2,527,115	1.96
Idobee Pty Ltd <Superannuation Fund A/c>	2,361,900	1.83
J D Ord	2,075,000	1.61
Carter Capital Limited	1,800,000	1.40
F and A Popovsky	1,750,000	1.35
Spinifex Holdings Pty Ltd	1,650,330	1.28
LSAF Holdings Pty Ltd <Owen family A/c>	1,625,000	1.26
Torwood Resources Limited	1,600,000	1.24
Celebration Holdings Pty Ltd	1,500,000	1.16
Zoltarn Pty Ltd	1,367,500	1.06
I Neethling	1,300,000	1.01
F G Spanyol	1,250,454	0.97
L F Lewis	1,250,000	0.97
WM and MI Sam Yue <Sam Yue Super Fund A/c>	1,184,116	0.92

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



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