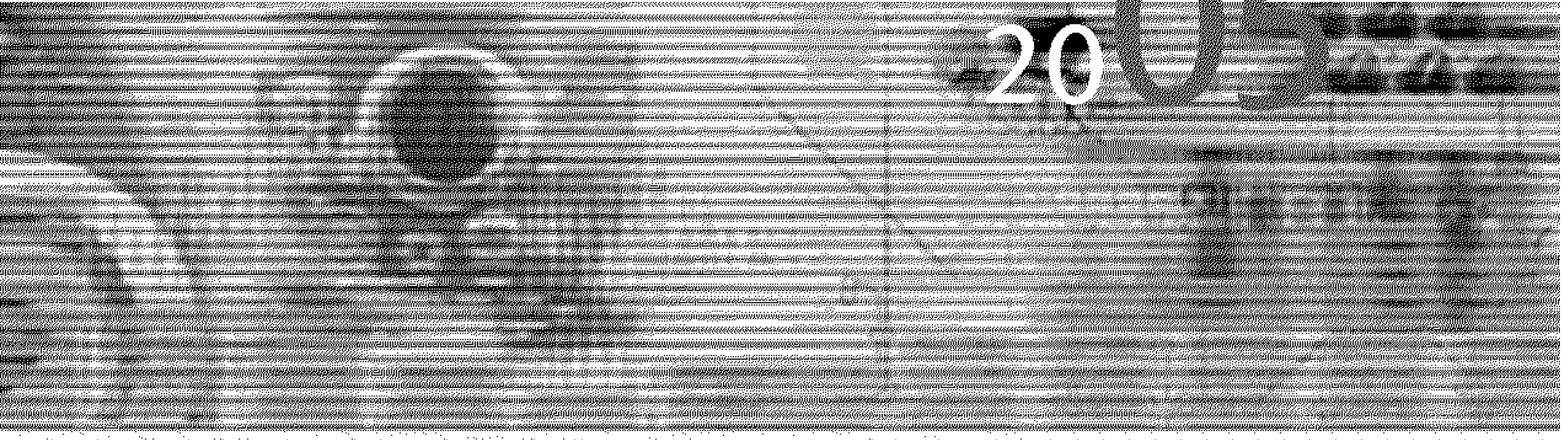
PREMIER BIONICS
LIMITED

ABN 67 099 084 143

ANNUAL REPORT 2005



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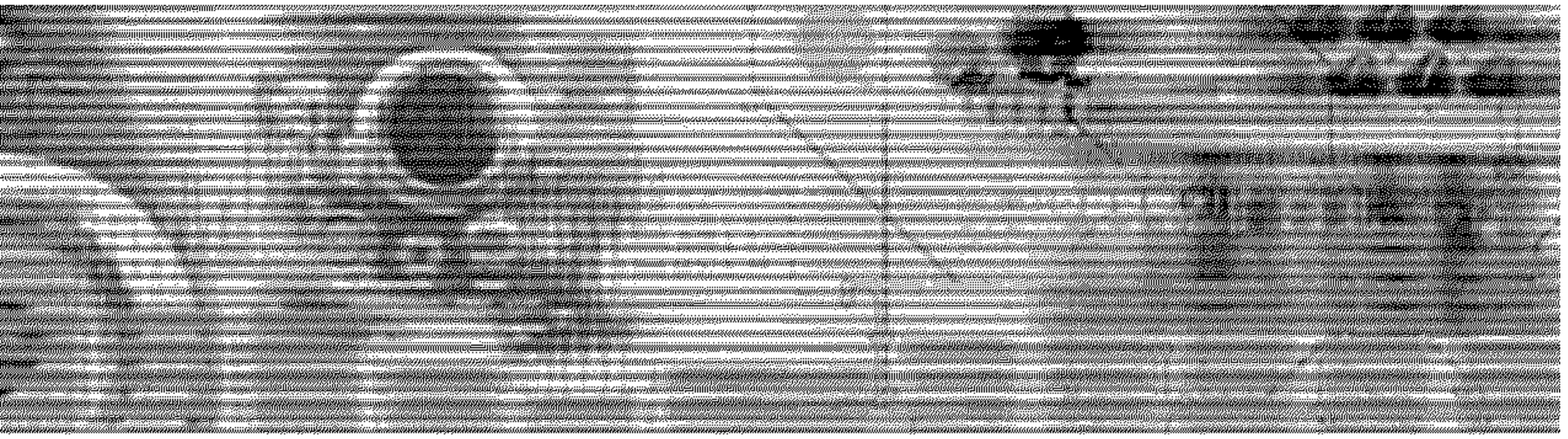


Chairman's Letter

Dear Shareholders,

The 2004/05 financial year has been one of further progress and development. It is also a year in which the Company has substantially expanded its activities with the acquisition of 100% of the shares in Medic Vision Pty Ltd, a company operating in the dynamic emerging new technology market of virtual reality based surgical training tools for trainee surgeons and the qualified surgical market place.

The year has also been very active for the Company's other wholly-owned subsidiary, Pulmosonix Pty Ltd. A substantial amount of work has been directed at refining the AirwayClear platform to enhance its ability to be used as a basis for all other product developments. During the year the Company also completed the buy-out of the minority interests in Pulmosonix by way of the issue of shares and options in the Company.

Further testing of the AirwayClear device as a sleep apnoea monitor has resulted in improvements being included to the device and its extension as a device to detect sleep apnoea in neonatal infants. It is now recognised that many pre-term infants suffer from sleep apnoea as part of their early difficulties in breathing unassisted. Pulmosonix has completed a small number of baby studies which demonstrate the efficacy of this device and based on our early commercial discussions, we are now undertaking additional (and larger) clinical trials of this device in Melbourne prior to embarking on further detailed commercial discussions which we hope to commence by the end of this year.

The other exciting development in the Pulmosonix portfolio has been the progress made in respect of the PulmoScreen product, for detection of early onset emphysema. Currently, this condition is difficult to diagnose and once diagnosed it is usually at an advanced stage where treatment options are limited. In addition, current diagnosis of emphysema involves use of X-ray, CT scans and/or full lung function testing. These methods tend to be expensive, time consuming and, in the case of an X-ray and CT scan, potentially harmful. As a consequence, a fast, reliable, inexpensive and easy to use non-invasive test for screening and determining early onset emphysema is expected to have substantial clinical utility. At the same time, a device which can differentiate between a mild and a severely damaged lung is also expected to be far more useful than current diagnostic methods.

Given that the current market for emphysema diagnosis and treatment is valued at more than $1.0 billion we see very large market potential for a device with the features and functionality that the PulmoScreen appears to exhibit. An initial clinical trial has been completed with highly encouraging results. This provides the basis for moving onto Stage 2, a larger human trial and more advanced prototype. As with Stage 1 (which was 50% funded by a R&D Start Grant), the Company has applied for matching funding for Stage 2 under the Commercial Ready program. It is expected that commercial discussions in respect of the Pulmoscreen product will commence in early 2006.

The Company has always maintained a policy of reviewing its intellectual property portfolio on a regular basis. Significant steps were taken during the year which led to a substantial expansion to the IP portfolio - in respect of overall applications as well as product specific IP protection.

Following an extensive due diligence review the Company acquired 100% of the unlisted Medic Vision. This Company, founded in 2000, and generating revenue from an early date, has become the leading participant in the emerging surgical skills training market, deploying virtual reality (VR) simulators and related tools.

Medic Vision provides a range of solutions to surgical centres, teaching hospitals, and related institutions, incorporating the design, installation and fitting out of centres, supply of simulators, development of curriculum as well as ongoing training and support.

With the increasing difficulties associated with utilising human and animal body parts as a basis for training surgeons, VR training tools are 'coming of age'. The tools being developed today deploy high resolution computer graphics, haptic (force feedback) technology as well as high level computing power.

Medic Vision has completed the development of the majority of surgical skills training centres in Australia as well as several projects in Hong Kong. With a number of prestigious projects now complete, the Company is now poised to embark on a period of rapid expansion in Hong Kong, China and the UK. Following the acquisition, Medic Vision has significantly expanded its sales and marketing and product development teams. In addition, Medic Vision's own products will shortly appear on the market with the release, prior to the end of 2005, of its own exciting new medical simulator training product. Medic Vision has a strong product and customer pipeline and is poised to become a major player in this rapidly developing market. We are very excited about the prospects for Medic Vision over the short as well as longer term.

At the same time as the acquisition was completed, the Company finalised a $3.5m placement of new shares and options. This raising was completed in a difficult environment where a substantial number of listed biotech companies have witnessed major declines in their share prices. This has made raising capital exceedingly difficult despite, in many cases, companies having very good prospects.

One of the important messages that the Directors wish to convey is that Premier Bionics is a company which is predominantly in the devices area and is not a traditional biotech company involved with long lead time drug development programs or expensive clinical trials. It is currently generating revenue with the expectation of this continuing to build significantly over the course of the next few years.

In the area of respiratory and sleep medicine, the Company has now developed substantial expertise. We continue to review other complementary opportunities in this space, particularly where such opportunities are at later stages of development.

The Directors are confident that the next 12 months will see significant commercial progress occur both in Pulmosonix and Medic Vision as these companies continue to mature and achieve their various milestones.

In closing, I would very much like to thank all our shareholders for their continuing interest in and support of our activities. In particular, the interest in the Medic Vision acquisition has been very encouraging and we look forward to reporting on its and Pulmosonix's further progress over the coming months.

Peter Marks
Executive Chairman
29 September 2005

Review of Operations

Premier Bionics has continued to focus its activities on the acquisition of and investment in fledgling companies which operate in the medical devices and diagnostics sector. Companies under Premier Bionics' control need to demonstrate strong commercial potential and have, as their target, the global device and diagnostics market, where commercial arrangements including licensing agreements, product co-development opportunities and joint ventures are the most likely outcome.

In selecting new investment and acquisition opportunities, Premier Bionics gives substantial weighting to projects that are clearly in the later stages of their R&D program and where a commercial outcome is likely to occur within a 2 year timeframe. Part of this strategy is to seek products that are next generation or add-ons to existing products, and where new technology is being used to address a current medical problem.

During the period under review, the Company acquired 100% of the equity in Medic Vision, a company developing and marketing surgical simulation products and providing consulting services to assist with the establishment of surgical training centres. This acquisition represents a significant milestone for the Company as Medic Vision now becomes the second wholly-owned subsidiary of Premier Bionics and it is a company with existing products and revenues. Additional information is provided on Medic Vision and its activities in this review.

The Premier Bionics Team

Premier Bionics has successfully assembled a broadly-based technical, project management, business development and advisory team. The Board possesses a breadth of skills and expertise that continues to assist with the selection, management and ultimate exit of investments. In addition, there is a depth of knowledge of the regulatory and patent environment encompassing medical technology as well as strong understanding of the technical and commercial needs of potential purchasers of medical devices.

The skills that have been assembled with Premier Bionics provide strong support to the operations of the Company and its subsidiaries.

Financial Summary

The capital raising which was completed in April of this year (in which $3.5m was raised before costs) provided the resources to complete the acquisition of Medic Vision and funds necessary for its future operations. It is also worth noting that as at 30 June 2005 Medic Vision exceeded its revenue target for the year. The capital raising also provided sufficient funds for the activities of Pulmosonix over the next 12 months which will be an important period for the Company in terms of commercial outcomes.

For the year ended 30 June 2005 the Company showed an operating loss of $4,194,078 and as at 30 June 2005 a cash balance of $3,429,467.

Medic Vision

Medic Vision is a technology service provider working in the medical industry which specialises in the design of medical and surgical training centres and the development and commercialisation of unique surgical training products utilising proprietary virtual reality and 3D computer software. The products are designed for use by doctors, surgeons, nurses, health workers and used in universities and hospitals.

The demand for Medic Vision's products is rapidly increasing due to the emerging inadequacies in current training methods and factors including:

- unacceptably high levels of surgical mishaps internationally;
- ongoing mandatory requirements for surgeons and healthcare professionals to constantly update and maintain their skills;
- changes in the medico-legal environment are increasing the scrutiny on surgical proficiency and accountability;
- diminishing access to traditional methods of training such as using live tissue (animal) and prepared cadaveric material is limiting the opportunity for surgeons and trainees to obtain hands on experience away from the operating theatre. Therefore the demand for the use of virtual reality to augment traditional training is expected to increase dramatically; and
- the addressable market for the software training programs is considerable with over 1600 medical schools in the world and over 6.0 million medical practitioners globally.

The key objective is that virtual reality becomes essential in the training of surgeons and other medical professionals just as flight simulation has become an essential and integral tool in the airline industry.

Background

Surgical error ending in death or adverse outcome is a significant problem in the medical industry. In 1999, a US Institute of Medicine report estimated that as many as 95,000 people die in the US in any given year due to medical error. The cost in the US of preventable adverse events (medical error resulting in injury) is estimated to be between $17 billion and $29 billion per annum.

It has been well established that surgeons and medical practitioners engaging in ongoing training to lift or maintain their skill levels for non-routine performed procedures substantially reduces their rate of surgical and medical mishaps. This is evident in other sectors such as the airline industry, where pilots routinely engage in simulated training and skills assessment in order to maintain proficiency standards.

Surgeons and medical practitioners have traditionally trained by observation (see one/do one/teach one), practicing on cadavers and animals, attending and assisting in actual operations. All these forms of training are sub-optimal and are becoming increasingly difficult to carry out for a number of reasons:

- cadavers are expensive and do not have realistic tissue properties;
- the use of animals is becoming unacceptable (phased out in New Zealand);
- "hands on" experience is not gained in the lecture theatre;
- learning on the job in an actual operation puts the patient at greater risk.

The Solution

Computer-based surgical simulation not only overcomes the limitations of traditional forms of training but also provides the basis for a very high degree of performance benchmarking. The measurements can be used to determine and validate the user's performance in a patient-safe environment.

The combination of 3D modelling with force feedback capacity ensures a very realistic touch and feel as well as a high definition graphical representation of anatomical structure. It is becoming increasingly apparent that virtual reality training will become a fundamental part of education in medical schools, teaching hospitals, and medical skills training centres globally.

The Technology

Medic Vision develops and deploys virtual reality medical training software applications for medical procedures that are minimally invasive, screen-based or have a high tactile requirement such as epidurals, cannulation, laporoscopy and endoscopy procedures. Products are developed utilising advanced 3D computer modelling combined with haptics (forced feedback) technology to create the simulation. The products (simulators) combine a computer, screen and robotic arm that simulate surgical instruments (scalpel, syringe, forceps, clamp, etc) with optional force feedback. The robotic arm allows the user to interact with the 3D image on the computer screen. As the user manipulates the robotic arm, the images will change in response to the action, while at the same time the robotic arm will apply appropriate force and movement in response to the users action. In concert these two technologies provide a complete virtual reality training environment that delivers the effect of high definition 'touch and feel' back to the user.

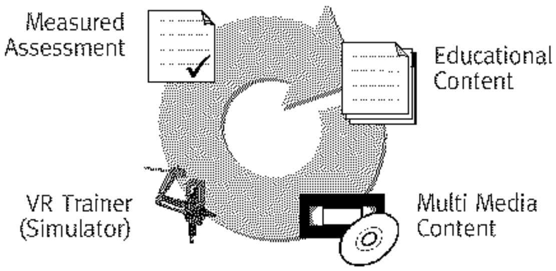
A Packaged Solution

While the base technology provides a very compelling tool for virtual reality training, Medic Vision uniquely recognises that a more holistic approach is required to address the full training requirements. For this reason Medic Vision provides a complete training package that incorporates:

- Educational content: including course notes, background material and instruction;
- Multi media: delivering instructional video and commentary from live procedures;
- Haptics software: virtual reality that allows the user to perfect the procedure in a patient-safe environment;
- Assessment: allows the student and teacher to access performance against measurable outcomes.
- Skills Training Centre Design: where required including the linking to other skills training centres around the world.

Medic Vision provides a complete educational framework with all of its virtual reality training software. It is intended that this educational framework will be incorporated into accredited courses. This complete approach makes Medic Vision unique in the global market.

Complete Medical Education Package



The Current Status

Medic Vision currently derives its income from selling medical simulators and consulting services in Asia Pacific. Offices are currently located in Melbourne, Perth, Sydney and Hong Kong. Medic Vision will establish an office in London by early October 2005 and commence selling simulators and consulting services shortly thereafter. At the same time Medic Vision is making considerable inroads into China and Hong Kong with the design of skills training centres and the marketing and sales of medical and surgical simulators.

The market strategy has been to work with existing organisations that produce simulators and to package those with curriculum and, in some cases, skills training centre and operating theatre design and development, to provide a total solution package to the customer.

To date Medic Vision has acted as an Agent for computer based simulation products but is also very active in the development of its own simulators which will address areas of surgery and medical procedure which are not effectively or currently catered for. The first of these products will be launched in the fourth quarter of 2005 with a further series of products under development.

The Future

The rapidly emerging need for proficiency-based accreditation in the medical field is a considerable market driver and this is likely to see an exponential rise in demand for the Company's products and services. The beginnings of this rise are identifiable now. This will create the need for further product development as well as incorporating new visualisation and web based technologies to assist in greater deployment.

Furthermore, as the use of imaging and robotic technology increases in the operating theatre, the need for specific simulators for training will also evolve. It has already been expressed by Colleges of Surgery and regulatory bodies that patients cannot be used as a teaching tool for new technologies and procedures as has been done in the past. Realistic simulation is the solution.

Pulmosonix Update

During the period under review Premier Bionics acquired the remaining minority interests in Pulmosonix and in so doing Pulmosonix became a wholly owned subsidiary of the Company. The transaction was completed by exchanging new shares and options in Premier Bionics for the balance of shares not held by Premier Bionics in Pulmosonix. The terms of the transaction were agreed early in 2004 and the transaction was completed in December 2004.

The major focus at Pulmosonix during the year was to devote resources towards product development activities that will bring products to the market as early as possible. To this end, resources have been directed at the development of PulmoScreen, a COPD (Chronic Obstructive Pulmonary Disease) screening device that can be used to screen the at-risk population for early signs of emphysema, and the Baby AirwayClear, which is a neonatal apnoea and hypopnea monitor which finds application in neonatal intensive care units. Both these products have been developed from the AirwayClear platform from which the adult apnoea monitor has been developed.

Stage 1 of the PulmoScreen project has attracted funding from AusIndustry through a R&D Start Grant which commenced in October 2004. The Pulmoscreen device operates by injecting sound energy into the body at one point, allowing it to pass through parts of the body, receiving the sound and finally analysing what effects the part of the body has had on the sound to determine the severity, location and type of disease. During 2005, a functioning prototype of the PulmoScreen device was developed. While leveraging off AirwayClear technology and know how, significant new development was required. A new transducer was developed to enable sound to be injected into patients. Sensors to enable the reception of low level sounds from the surface of the body were developed and produced. Analysis software and specialised signal conditioning hardware was developed to complete the prototype.

Two series of patient trials have been completed with the PulmoScreen prototype. One was with normal volunteers to determine a control baseline and the second was with patients who have had emphysema and have had one lung transplanted with a normal lung. This trial was performed at The Alfred Hospital in Melbourne and was led by Associate Professor Trevor Williams, a respiratory specialist. Analysis and interpretation of the data which was collected during these trials is continuing with early indications showing that PulmoScreen can detect the difference between normal lungs and lungs that have been affected by emphysema.

The results from these studies have been presented to respiratory physicians and submissions are being prepared to allow presentation at international conferences of respiratory medicine. In particular the Company is preparing for the American Thoracic Society Conference in 2006.

A grant for funding for the further development of PulmoScreen is also being sought through the AusIndustry Commercial Ready scheme.

Baby AirwayClear operates by injecting a low level sound into the nasal or oral cavity and detecting this sound on the surface of the chest. By monitoring the level of the sound, the device can provide an indication of the patency, that is, the extent of opening of the upper airway to clinicians.

A Baby AirwayClear prototype has been developed and clinical studies are ongoing at the Monash Medical Centre NICU (neo-natal intensive care unit) in Melbourne. A relationship has been formed with the Royal Children's Hospital to enable acceleration in the collection of study data that is needed to validate the technology. Two separate studies are planned with preparations underway. Meetings with two international neonatologists have resulted in in-principle agreements to undertake further trials with Baby AirwayClear.

Pulmosonix has an on-going program of broadening and strengthening its Intellectual Property portfolio. During the period under review several new patent applications were filed and the patent portfolio has been expanded and strengthened substantially. The table below summarises the Company's patent portfolio as at the time of this report.

Name	Number	Country	Status
Method & Apparatus for Determining Conditions of Biological Tissues	PCT/AU01/006465	USA, Europe, Canada, Japan, Korea, Singapore, N.Z, Sth Africa, Australia	Patent (2001252025) Granted in Australia
ACII, ACIII (CIP of 10/272,494)	USSN 11/107,999	USA	Filed 15 April 2005
COPD (CIP of 10/272,494)	USSN 11/111,689	USA	Filed (PCT AU2005/000787 already filed)
Measuring Tissue Mobility	PCT/AU03/00691	PCT	Entered National Phase in UK, USA, Aust - Dec 04
Apparatus & Method for Lung Analysis	PCT/AU2005/000787	PCT	Filed - claiming priority from USSN 11/111,689 and AU2004902932
Apparatus, Systems and Methods for Monitoring Airway Patency	USSN 60/664,011	USA Provisional	PCT due March 2006
Method and Apparatus for Determining a Bodily Characteristic or Condition (CIP of 10/272,494)	USSN 11/124,326	USA	Filed 6 May 2005
Method of Determining Lung Condition Indicators	USSN 11/116,667	USA	Filed 27 April 2005
Devices and Methods for Tissue Analysis	USSN 11/138,660	USA	Filed 25 May 2005
Estimating Tissue Density	TBA	Provisional	PCT due 2006

The Company's commercialisation program in relation to the product-specific technologies under development is currently being accelerated. Discussions with potential commercial partners for co-development programs and joint device development initiatives are continuing. Importantly, the Company is currently working to fulfil their additional data requirements. Once this additional clinical data, on the more advanced products, is obtained, it is expected that Pulmosonix will be in a position to rapidly advance discussions in respect of commercial partnerships with medical device manufacturers and distributors.

Conclusion

Following the acquisition of Medic Vision, Premier Bionics has been significantly transformed from a single R&D company to one with a rapidly expanding operating business together with a company in the later stages of R&D and pursuing the commercialisation of its product portfolio. It is expected that as Premier Bionics examines other opportunities the transformation will continue and its focus on much later stage opportunities will continue to be of paramount importance. The Company is continuing to review other opportunities, particularly those that are complementary with the existing areas of activity. The clear objective over the short to medium term is to complete the transition from what has been essentially an R&D company to a commercial enterprise focussed on generating substantial value to shareholders through operating subsidiaries that are either at or close to revenue generation and profitability.

We look forward to continuing to report to all shareholders on new activities and developments as they unfold over the coming months.

Corporate Governance Statement

A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of changing legal and regulatory requirements. The Board of Directors continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Unless otherwise stated, all Policies and Charters meet the ASX Corporate Governance Council's Best Practice Recommendations and have been in effect for the full reporting period. All Charters and Policies are available from the Company or on its website www.premierbionics.com.au

Role of the Board and Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Board must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities are detailed in its Board Charter and include:

1. Leadership of the organisation
2. Strategy formulation
3. Overseeing planning activities
4. Shareholder liaison
5. Monitoring, compliance and risk management
6. Company finances
7. Human resources
8. Ensuring the health, safety and well-being of Directors, Officers and Contractors
9. Delegation of authority
10. Remuneration policy
11. Nomination policy

Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel, committed to adequately discharging its responsibilities and duties and to add value to the Company.

The names of the Directors, their independence under the ASX Corporate Governance Council's Best Practice Recommendations, qualifications and experience are stated on pp. 11 to 13, along with the term of office held by each.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the Company's industry;
- The Company striving to have a balance between the overall number of Directors and the number of Directors being independent as defined in the ASX Corporate Governance Guidelines;
- Some significant parties with whom the Company has contractual arrangements being represented on the Board during the early years of the development of the Company; and
- Some major Shareholders being represented on the Board.

Consequently, there is not a majority of Directors classified as being 'Independent' and the Chairman is an Executive Director of the Company.

At this stage in the Company's development, the Board believes that the most appropriate person for the position of Chairman is an Executive Director of the Company. The Executive Director's overall expertise is crucial to the Company's development and negates any perceived lack of independence.

The number of Independent Directors on the Board will increase when the Board believes that it can attract appropriate Independent Directors with the necessary industry experience, over time and as the Company develops.

However, where any Director has a material personal interest in a matter and, in accordance with the Corporations Act 2001, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Stakeholders, as a whole, is pursued and that their interest or the Director's independence is not jeopardised.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the full Board.

The Company does not have a Nomination or Remuneration Committee, it has deemed it more efficient to have the Full Board consider membership nominations and remuneration matters.

Ethical and Responsible Decision-Making

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has a share trading policy that regulates the dealings of Directors, Officers and Employees, in shares, options and other securities issued by the Company. The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

Integrity in Financial Reporting

In accordance with the Board's policy, the CEO (or Executive Chairman if no CEO appointed for the Company) and CFO have made attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

The Company also has an Audit, Risk and Compliance Committee which consists of two Non-Executive Independent Directors and one Executive Director, with the Chairman being an Independent Non-Executive Director. Historically, due to the composition of the Full Board, it has not been possible to meet the recommendation to have a minimum of three Non-Executive Directors. The Board will however, reconsider the membership of the Audit, Risk and Compliance Committee given that one previous Executive Director became a Non-Executive Director in August 2005. The current members of the Committee as at the date of this report, and their qualifications are detailed in the Directors' Profiles on pp 11 to 13.

The Committee holds a minimum of two meetings a year. Details of attendance of the members of the Audit, Risk and Compliance Committee are contained on pp 19.

Timely and Balanced Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information concerning the Company:

1. That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Rights of Shareholders

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of their rights, the Company is committed to:

1. Communicating effectively with Shareholders through ongoing releases to the market via ASX information, mailed to Shareholders via Shareholder updates etc, and the General Meetings of the Company;
2. Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for Shareholders to participate in General Meetings of the Company; and
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

Any shareholder wishing to make inquiries of the Company is advised to contact the registered office. All public announcements made by the Company can be obtained from the Company's website www.premierbionics.com.au or at the ASX's website www.asx.com.au

Recognise and Manage Risk

The Audit, Risk and Compliance Committee has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

The CEO (or Executive Chairman if no CEO appointed for the Company) and CFO have given a statement to the Board that:

a) In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the Policies adopted by the Board.

b) The Company's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk, is operating effectively in all material respects.

Encourage Enhanced Performance

A 'Performance Evaluation Policy' has been established to evaluate the performance of the Board, individual Directors and Executive Officers of the Company. The Board is responsible for conducting evaluations on an annual basis in line with these policy guidelines.

During the reporting period, questionnaires were circulated to all members of the Board to conduct individual and group performance evaluations. These questionnaires were collated and analysed, providing the Board with valuable feedback and evaluation for future development.

During the year, all Directors have full access to all Company records and receive Financial and Operation Reports at each Board Meeting.

An induction program has been established for new directors.

Remunerate Fairly and Responsibly

The Company has not adopted a Remuneration Committee as it has deemed the Full Board of the Company a more efficient mechanism to administer the Company's remuneration policy than a committee. The Board is responsible for:

- Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company;
- Approving the design of Executive & Employee incentive plans (including equity-based plans and options) and proposed payments or awards under such plans;
- Reviewing performance hurdles associated with incentive plans;
- Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time;
- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service as deemed necessary;
- Succession planning for the CEO and Senior Executive Officers; and
- Performance assessment of all Directors and Senior Executives.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance and subject to approval by Shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Non-Executive Directors are entitled to statutory superannuation, but no other retirement benefits. They are eligible to receive share options but subject to shareholder approval.

Current remuneration is disclosed in the Remuneration Report on pp 15 to 18 and Note 21 on pp 48 to 52.

Legitimate Interests of Stakeholders

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct' policy.

Directors' Report

Mr Peter Marks | Mr Jeremy Cooper | Mr Ross Horley | Dr Martin Soust | Dr Henry Pinskier | Dr John Parker






Your Directors submit their report for the year ended 30 June 2005.

Directors

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

Mr Peter Marks BEc LLB Grad. Dip. Comm. Law MBA
Executive Chairman

Mr Marks, aged 49, has extensive experience in the areas of corporate finance advice and venture capital investment, having specialised in capital raisings (for listed and unlisted companies), underwriting and initial public offerings since 1983 in London and Australia. He obtained a Bachelor of Economics, Bachelor of Laws and Graduate Diploma in Commercial Law from Monash University and completed his MBA at The Scottish School of Business (University of Edinburgh). He has served as an Associate Director of McIntosh Securities (now Merrill Lynch Australia) as well as occupying senior corporate finance positions both at Baring Securities Ltd and Burdett Buckeridge & Young Ltd in their Melbourne offices. Between 1985 and 1991, Mr Marks was responsible for advising on a substantial number of listed and unlisted company issues ranging from corporate and company structure, valuations, business strategies, acquisitions and international opportunities. In 1992, Mr Marks was appointed Head of the Melbourne Companies Department at the Australian Stock Exchange.

Between 1995 and 1998, Mr Marks was Managing Director of a boutique corporate advisory and venture capital firm working with a wide range of small to medium sized companies, raising new capital for them either by way of private placement or listing on the Australian Stock Exchange. Mr Marks was also a founding director of Momentum Funds Management Pty Ltd, one of the first venture capital funds to be licensed under the Federal Government's Innovation Investment Fund program, a new venture capital program established in 1997.

From 1998 to early 2001 Mr Marks was employed at KPMG Corporate Finance Ltd (Australia) and during this time became a Director and responsible for heading up the equity capital markets group in Melbourne. In this role, Mr Marks helped develop the team's capabilities in the equity markets area and was responsible for generating several IPO projects as well as assisting with the funding for a range of private equity transactions. Mr Marks is currently a Director of Select Vaccines Ltd (appointed 21 December 2001) and Prana Biotechnology Ltd (appointed 29 July 2005), ASX listed companies and Peregrine Corporate Ltd. In the past 3 years, Mr Marks has not held any other directorship positions in listed companies other than those cited above.

Mr Marks was appointed a Director of Premier Bionics on 18 December 2001 and was re-elected by shareholders on 18 November 2003.

Mr Jeremy Cooper BA MBA
Executive Director

Mr Cooper, aged 38, has 15 years experience in senior management positions with major international corporations, focussing on strategy, business development and mergers and acquisitions. He obtained his BA from Cambridge University and his MBA from INSEAD.

Prior to joining Peregrine Corporate Ltd in early 2000, Mr Cooper spent three years with TXU, a global energy company, as Business Development Manager, based initially in Europe and then in Melbourne. Focusing on acquisitions and strategic development activities, Mr. Cooper assisted with the successful conclusion of a number of multi-million dollar transactions. These included the acquisitions of energy companies in Finland, Sweden and Australia. During 1996 Mr Cooper studied for his MBA at INSEAD in France.

Between 1989 and 1995 Mr Cooper worked throughout Asia and the Middle East with Cathay Pacific Airways Ltd. Roles in Hong Kong included two years in International Affairs where he was responsible for the negotiation of bi-lateral air traffic rights agreements. Mr Cooper was also based in Indonesia (one year) and the Middle East (two years) where as Country Manager he was responsible for management, marketing and sales and operational issues.

Since joining Peregrine Corporate Ltd, Mr Cooper has worked with a number of Australasian companies on corporate development activities including capital restructurings, ASX listings and mergers and acquisitions.

Mr Cooper is currently a Director of Peregrine Corporate Ltd and, an ASX listed company Gaming and Entertainment Group Ltd (appointed 4 September 2003). During the past 3 years, Mr Cooper has also been a Director of IM Medical Ltd (28 November 2003 to 31 March 2005), Prima Biomed Ltd (17 November 2000 to 10 March 2003) and Select Vaccines Ltd (19 June 2003 to 17 August 2005), also ASX listed companies.

Mr Cooper was appointed a Director of Premier Bionics on 18 December 2001 and elected by shareholders on 18 November 2002. He is also a member of the Audit, Risk and Compliance Committee.

Mr Ross Horley C.elec.eng
Executive Director and Chief Executive Officer of Medic Vision

Mr Horley, aged 46, is the founder and Managing Director of Medic Vision. Mr Horley established Medic Vision as a medical technology service provider dedicated to achieving better and safer outcomes through:

- The collaboration with research and education institutions.
- The development of Virtual Reality technology for surgical training and planning.
- The deployment of new media and telemedicine services enabling Medic Vision to breakdown geographical and cultural boundaries
- Facilitating access to quality medical and surgical education while providing training tools to foster and encourage international collaboration.
- The design and facilitation of medical and surgical skills training facilities.

Mr Horley has an engineering background having been a principal of a leading Western Australian consulting engineering practice. Prior to becoming principal of the consulting engineering company, Mr Horley worked with Matthew Hall Mechanical and Electrical Engineers Pty Ltd as a Project Manager and design engineer.

Mr Horley's special area of expertise is the design, facilitation and commercial adoption of advanced technologies. Some of these technologies cover sectors such as intelligent building systems, building design, haptic application, virtual reality and visualisation. Mr Horley's involvement in these has gained him a reputation to be a leader in these fields especially in relation to virtual reality.

Mr Horley has worked extensively throughout Australia and Asia on many innovative projects including the design of internationally recognised medical and surgical skills training facilities. He has further established collaborative agreements with many leading Universities, R&D organisations and medical education facilities around the globe on behalf of Medic Vision.

In the past 3 years, Mr Horley has not held any other directorship positions in listed companies.

Mr Horley was appointed a Director of Premier Bionics on 10 May 2005.

Dr Martin Soust BSc (Hons) MBA PhD
Non-Executive Director (from 17 August 2005)
Executive Director and Chief Executive Officer (18 March 2002 to 17 August 2005)

Dr Soust, aged 45, has had a career in medical research and small/medium sized enterprise management. He obtained his BSc (Hons) at the University of Melbourne and his PhD with Monash University's Centre for Early Human Development at the Monash Medical Centre. His PhD was a major investigation into the physiology of respiratory muscles in newborns. During his research career Martin worked on a range of projects including neuroanatomical investigations, respiratory physiology studies and cardiovascular studies with several co-investigators at the University of Melbourne, Monash University and Monash Medical Centre. After a successful period in medical research Martin embarked upon a management career. He completed his MBA (at Monash University) whilst he held management roles in small and medium sized enterprises and spent several years managing national associations.

In 1999 Dr Soust started a management consulting practice specialising in providing management consulting services to organisations operating in the biomedical sciences. His firm assisted in the process of starting new ventures for universities and research groups through the commercialisation of intellectual property and know-how. He has provided extensive services to the Monash Institute of Reproduction and Development, particularly in helping establish two new companies (one being Pulmosonix). He has also undertaken investigations into potential markets for new therapeutic agents, developed research protocols and provided interim management services for start-up companies. He has extensive experience in commercial negotiations, research and development planning, and technical and commercial management of biomedical projects. Dr Soust is also a Director of Select Vaccines Ltd (appointed 1 April 2003). In the past 3 years, Mr Soust has not held any other directorship positions in listed companies.

Dr Soust was appointed a Director of Premier Bionics on 18 March 2002 and was re-elected by shareholders on 18 November 2003.

Dr Henry Pinskier MBBS
Non-Executive Director
Independent

Dr Pinskier, aged 45, has extensive involvement in the health care sector. A trained medical practitioner, Dr Pinskier is Chairman of Health Care United, a multi site medical services company providing serviced rooms and medical and allied health services to the medical, para medical and general population.

Since 2000 Dr Pinskier has been a Director of Bayside Health, a metropolitan Health Network comprising the world-renowned Alfred Hospital, the Caulfield Hospital and the Sandringham Hospital. He is a member of their finance committee, the remuneration committee and IT committee. He has also chaired for the past 5 years an ethics committee involved in optometry research. He has recently been appointed to the board of the Victorian Managed Insurance Authority.

Dr Pinskier is active in assisting the Company to assess new medical device technologies and their place in the market. He brings to the Company a strong business background and an intimate understanding and appreciation of the health care services and health care technology industries.

In the past 3 years, Mr Pinskier has also been a director of IM Medical Ltd (27 September 2001 to 20 March 2003), an ASX listed company.

Mr Pinskier was appointed a Director of Premier Bionics on 18 December 2001 and was elected by shareholders on 26 November 2004. He is also a member of the Audit, Risk and Compliance Committee and is a Director of the recently acquired Medic Vision.

Dr John Parker BSc (Hons)(ANU), PhD (ANU), DOC (KTH Stockholm)
Non-Executive Officer
Independent

Dr Parker, aged 42, has a proven track record in the commercialisation of medical device R&D and in the development and implementation of successful business strategies.

Dr Parker was appointed Chief Technology Officer at Cochlear Ltd in 2002, having previously been Chief of Operations for two years. He also joined the Board of Cochlear as an Executive Director, on 19 March 2002. His responsibilities include overseeing the design and development of new products with a substantial staff of scientists, engineers and clinicians. He has overall responsibility for Cochlear's innovation system.

Dr Parker is a board member of the Cooperative Research Centre for Cochlear Implants and Hearing Innovation and has an academic appointment as a visiting fellow at the Department of Maths, Physics, Computing and Electronics at Macquarie University, NSW. He has a background in chemistry and applied mathematics and has completed a Program for Management Development at Harvard Business School, USA. Dr Parker's work has contributed to Cochlear being recognised in several awards in the areas of design, medical design and engineering innovation, including the Medical Design Excellence Award, New York USA in 2001. He has been author of more than 30 scientific papers in peer-reviewed journals and an inventor of 17 patents.

In the past 3 years, Mr Parker has not held any other directorship positions in listed companies, other than those cited above.

Dr Parker was appointed a Director of Premier Bionics on 31 March 2004 and was elected by shareholders on 26 November 2004. Dr Parker is a member of the Audit, Risk and Compliance Committee.

Terms of Appointment

Under the Corporations Act 2001 a Director, except for a Managing Director must be re-elected by shareholders every 3 years. At each Annual General Meeting, one third of Directors must be re-elected.

Company Secretary

Mr Phillip Hains held the position of Company Secretary at the end of the financial year.

Mr Hains is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company boards of directors and related committees. He has over 20 years experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.

Interests in the shares and options of the Company and related body corporate

As at the date of this report, the relevant interests of the Directors in the shares and options of the Company were:

	Ordinary shares	Options over ordinary shares
Peter Marks	275,001	636,665
Jeremy Cooper	255,001	428,330
Ross Horley	3,378,712	1,000,000
Martin Soust	422,572	1,289,561
Henry Pinskier	535,000	491,250
John Parker	161,290	340,323

Earnings Per Share

	Cents
Basic earnings/(loss) per share	(12.76)
Diluted earnings/(loss) per share	(12.76)

Dividends

The Directors did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect to the 2005 financial year.

Corporate Information

Corporate Structure

Premier Bionics operates in an efficient and direct manner, monitoring progress in respect of all its operations and subsidiaries. The Company's Board of Directors and management team provide ongoing expertise in financial, legal and capital raising strategies for its operations. It also brings to its operations experience in venture capital evaluation and deal structuring as well as in-depth technical skills and sector knowledge.

Nature of operations and principal activities

Premier Bionics primary objective is to acquire later stage Australian R&D projects in the medical devices and diagnostics markets. To achieve this, it seeks to:

- Identify and acquire high quality Australian R&D projects, as measured by a range of criteria including market potential, quality of intellectual property and management and potential for significant commercial returns;
- Establish financing arrangements that facilitate appropriate incentive structures and the continued involvement of key founders, scientists and inventors;
- Ensure optimal research outcomes through disciplined and 'hands on' management of R&D projects and staged financing based on achievement of technical and commercial milestones; and
- Add value to and maximise the commercial outcomes for its operations by developing and executing viable commercialisation strategies from an early stage of development.

The commercial focus has been reinforced following the acquisition of Medic Vision in May this year.

Employees

The company had 1 employee at 30 June 2005 (2004: nil employees). The consolidated group employed 8 employees at 30 June 2005 (2004: nil employees).

Review of Operations

The Review of Operations is set out on pp 3 to 7.

Results for the Period

The consolidated net loss for the year after income tax and outside equity interest was $4,084,965 (2004: $1,446,311 loss).

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 Company during the financial year under review not otherwise disclosed in this annual report.

Significant events after the Balance Date

On 8 July 2005, 207,800 shares were issued to a consultant in lieu of consulting fees.

Other than as disclosed here or elsewhere in this report, no further subsequent events have occurred.

Likely Developments and Expected Results

The likely developments in the Company's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations contained elsewhere in this Annual Report. In the opinion of the Directors, disclosure of information regarding the expected results of those operations in financial years after the current financial year is not predictable at this stage, or may prejudice the interests of the Company. Accordingly, this information has not been included in this report.

Environmental Regulation and Performance

The Company is involved in scientific research and development and does not create any significant environmental impact to any material extent. The Company's scientific research activities are in full compliance with all prescribed environmental regulations. There are no environmental issues that the Company believes could effect its utilisation of its tangible fixed assets.

Share Options

Unissued shares

As at the date of this report, there were 32,424,540 Premier Bionics unissued ordinary shares under options as follows:

- 30,569,540 options exercisable on or before 24 December 2006 at $0.20. 1,160,484 options are escrowed until 1 December 2005 and 1,160,484 options are escrowed until 3 June 2006.
- 500,000 options exercisable between 4 May 2007 and 3 May 2009 at an exercise price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2007
- 500,000 options exercisable between 4 May 2008 and 3 May 2010 at an exercise price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2008
- 425,000 options exercisable on or before 24 December 2006 at $0.30
- 400,000 options exercisable on or before 30 September 2006 at $0.30
- 30,000 options exercisable on or before 30 September 2006 at $0.50

Shares issued as a result of the exercise of options
142,000 fully paid ordinary shares at $0.20 per option were issued by Premier Bionics during the year as a result of the exercise of options, resulting in amounts received of $28,400.

Indemnification and Insurance of Directors and Officers

During the financial year the Company entered into an insurance policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

Remuneration Report

This report details the nature and amount of remuneration for each Director of Premier Bionics and for the Senior Executives receiving the highest remuneration.

Remuneration Policy
Remuneration of all Executive and Non-Executive Directors, Officers and Employees of the Company is determined by the Board.

The Company is committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with 'Best Practice' including the interests of Shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount approved by Shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

For further details, refer to the Company's Corporate Governance Statement on pp 8 to 10.

Remuneration Policy versus Company Financial Performance
The Company's Remuneration Policy is not directly based on its financial performance, rather on industry practice, given the Company operates in the biotechnology industry and the Company has historically recorded losses.

The Company's primary objective is to acquire and commercialise later stage Australian R&D projects in the medical devices and diagnostics markets.

The Company envisages its performance in terms of earnings will remain negative for the next 12 months whilst the Company develops its investments which are in their early stage and currently expanding. Shareholder wealth reflects the speculative and volatile biotechnology market sector. This pattern is indicative of the Company's performance over the past 4 years.

Performance based remuneration

The purpose of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed. These include:

- Successful contract negotiations.
- Achievement of research project milestones within scheduled time and/or budget.
- Company share price reaching a target on the ASX or applicable markets over a period of time.

During the year, the only performance based remuneration issued was share options, which are discussed in further detail below.

Details of Remuneration received during the 2005 financial year

Specified Directors	Base Fee $	Superannuation $	Other[3] $	Equity $	Total $	Value of Options Included in Remuneration for the Year $	Percentage of Total Remuneration
Peter Marks	80,000	-	40,000	-	120,000	-	-
Jeremy Cooper	60,000	-	20,000	-	80,000	-	-
Ross Horley[1]	8,333	-	24,800	10,972	44,105	10,972	25%
Martin Soust	40,000	-	100,000	-	140,000	-	-
Henry Pinskier	40,000	-	50,000	-	90,000	-	-
John Parker[2]	40,000	-	-	42,000	82,000	42,000	51%
	268,333	-	234,800	52,972	556,105	52,972	n/a

[1] Mr Horley received at the 2005 general meeting as a sign on fee the following options over Premier Bionics ordinary shares:

- 500,000 options vesting on 4 May 2007, exercisable at a price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2007, expiring on 3 May 2009.
- 500,000 options vesting on 4 May 2008, exercisable at a price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2008, expiring on 3 May 2010.

These options have been valued using the Black Scholes Model. The exercise price was calculated as the 10% discounted 5 day Volume Weighted Average Price at 3 May 2005. The options were valued at $0.15 per option for the first tranche and $0.17 per option for the second tranche. The percentage of the value of the share options issued during the year and recognised as remuneration was $10,972. Under the valuation, the maximum value to be recognised in subsequent year is $149,028.

Mr Horley also has an entitlement under the 2005 general meeting to a further 500,000 options exercisable at $0.20 on or before 24 December 2006 once he completes 12 months of his consultancy agreement with Medic Vision. This condition was chosen as the Directors of the Company considered it important for Mr Horley to be leading Medic Vision for at least 12 months post acquisition.

Mr Horley's remuneration only includes remuneration earned following the acquisition of Medic Vision in May 2005.

[2] Mr Parker received 300,000 options exercisable at $0.30 on or before 24 December 2006 at the 2004 annual general meeting as a sign on fee. These options were valued using the Black Scholes Model at the date of grant, at $0.14 per option.

[3] Other fees paid to Directors consist of additional consulting fees and remuneration for executive roles, for example the role CEO for Martin Soust.

Specified Executives	Base Fee	Superannuation	Other[1]	Equity	Total	Value of Options Included in Remuneration for the Year	Percentage of Total Remuneration
	$	$	$	$	$	$	
Phillip Hains[1]	20,000	-	150,000	-	170,000	-	-
Anthony Filippis	62,000	-	-	-	62,000	-	-
John Petrou[2]	93,242	-	-	-	93,242	-	-
Catriona King[3]	54,625	-	-	17,500	72,125	17,500	24%
Billy Chan[4]	15,000	2,250	10,000	11,000	38,250	11,000	29%
	244,867	2,250	160,000	28,500	435,617	28,500	n/a

[1] The above other fee was paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as CFO.

[2] Mr Petrou commenced work with Pulmosonix in December 2004.

[3] Ms King received at the 2004 annual general meeting 125,000 options exercisable at $0.30 on or before 24 December 2006 as a performance bonus. This bonus was based on contractual arrangements and calculated using the Black Scholes Model at the date of grant, at $0.14 per option. Ms King left the Company in April 2005.

[4] Mr Chan received 100,000 options exercisable at $0.20 on or before 24 December 2006 and $10,000 as a sign on fee. These options were valued using the closing price of the listed options at date of grant, being $0.11 per option. Mr Chan's remuneration only includes remuneration earned following the acquisition of Medic Vision in May 2005.

Performance income as a Proportion of Total Remuneration

All Executives are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. The performance payments may be based on a set a monetary value, set number of shares or options or as a proportion of base salary. Therefore there is no fixed proportion between incentive & non-incentive remuneration. Non-Executive Directors are not entitled to receive bonuses and/or incentives.

Equity issued as part of Remuneration during the 2005 financial year

This section only refers to those shares and options issued as part of remuneration. As a result they may not indicate all shares and options held by a Director or Senior Executive.

No shares were issued during the year ending 30 June 2005 as part of remuneration.

The following options have been issued as part of remuneration:

Directors	Balance 1 July 2004 No.	Granted as Remuneration No.	Options Exercised No.	Options Lapsed No.	Balance 30 June 2005 No.
Peter Marks	500,000	-	-	-	500,000
Jeremy Cooper	300,000	-	-	-	300,000
Ross Horley	-	1,000,000	-	-	1,000,000
Martin Soust	1,000,000	-	-	-	1,000,000
Henry Pinskier	300,000	-	-	-	300,000
John Parker	-	300,000	-	-	300,000
TOTAL	2,100,000	1,300,000	-	-	3,400,000

Directors	Options granted as part of remuneration $	Options Exercised $	Options Lapsed $	Total $
Ross Horley	10,972	-	-	10,972
John Parker	42,000	-	-	42,000
TOTAL	52,972	-	-	52,972

Senior Executives	Balance 1 July 2004 No.	Granted as Remuneration No.	Options Exercised No.	Options Lapsed No.	Balance 30 June 2005 No.
Anthony Filippis	100,000	-	-	-	100,000
Catriona King	-	125,000	-	-	125,000
Billy Chan	-	100,000	-	-	100,000
TOTAL	100,000	225,000	-	-	325,000

Senior Executives	Options granted as part of remuneration $	Options Exercised $	Options Lapsed $	Total $
Catriona King	17,500	-	-	17,500
Billy Chan	11,000	-	-	11,000
TOTAL	28,500	-	-	28,500

Employment Contracts of Directors and Senior Executives

The following Directors were under contract at 30 June 2005:

	Duration	Notice Requirements	Termination
Peter Marks	12 months	-	-
Jeremy Cooper	12 months	-	-
Ross Horley	3 years	3 months	-
Martin Soust	12 months	-	-

The following Senior Executives were under contract at 30 June 2005:

	Duration	Notice Requirements	Termination
Phillip Hains	Expires upon notice of either party	3 months	-
Billy Chan	3 years	3 months	-

MEETINGS OF DIRECTORS

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

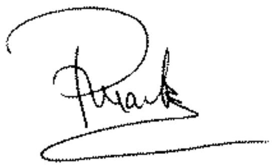
	Directors' Meetings		Audit, Risk and Compliance Committee Meetings	
	Meetings held while a Director	**Meetings attended**	**Meetings held while a member**	**Meetings attended**
Mr Peter Marks	13	13	-	-
Mr Jeremy Cooper	13	10	1	1
Mr Ross Horley	1	1	-	-
Dr Henry Pinskier	13	13	2	2
Mr John Parker	13	13	2	2
Dr Martin Soust	13	13	-	-

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit, Risk and Compliance Committee, is satisfied that the provision of non-audit services by PKF Chartered Accountants during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services did not compromise the External Auditor's independence because the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence. During the year ended 30 June 2005 the Company paid $10,200 to the external auditors, for taxation compliance services.

The lead Auditors' Independence Declaration for the year ended 30 June 2005 has been received and can be found on pp 20.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.



Peter Marks
Executive Chairman
Melbourne, 29 September 2005

A Member Firm of PKF International

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INDEPENDENCE DECLARATION

TO : THE DIRECTORS
PREMIER BIONICS LIMITED

As lead engagement partner for the audit of Premier Bionics Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF
Chartered Accountants

David Garvey

D J Garvey
Partner

29 September 2005
Melbourne

Statement of Financial Performance

Year ended 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
REVENUES FROM ORDINARY ACTIVITIES	2a	1,627,522	242,230	235,196	128,018
Cost of Goods Sold		(488,419)	-	-	-
Research and Development Expenses		(879,964)	(725,095)	-	(9,060)
Intellectual Property Expenses		(144,218)	-	-	-
Directors, Consulting and Employee Expenses	2b	(839,022)	(434,273)	(404,658)	(266,692)
Corporate Administration		(655,434)	(326,389)	(534,937)	(302,161)
Travel and Entertainment		(332,214)	(120,064)	(188,060)	(116,940)
Marketing and Promotion		(897,352)	(157,428)	(337,065)	(155,363)
Amortisation and depreciation	2b	(165,886)	(40,100)	(15,234)	(3,811)
Loss borne by parent entity on issue of new shares by controlled entities	15b	(128,087)	(65,400)	-	-
Write down of Intellectual Property to recoverable amount	10	(253,573)	-	-	-
Write down of Goodwill to recoverable amount	10	(1,045,200)	-	-	-
Write down of Investment to recoverable amount	7	-	-	(3,445,965)	-
Provision for non-recovery of loan to controlled entity	8	-	-	(493,278)	-
Provision for bad debts		10,372	-	-	-
Other expenses from ordinary activities		(2,603)	(41,227)	(2,603)	(41,227)
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(4,194,078)	(1,667,746)	(5,186,604)	(767,236)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	3	-	-	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(4,194,078)	(1,667,746)	(5,186,604)	(767,236)
NET (LOSS) ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		109,113	221,435	-	-
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(4,084,965)	(1,446,311)	(5,186,604)	(767,236)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(4,084,965)	(1,446,311)	(5,186,604)	(767,236)
BASIC EARNINGS PER SHARE (cents per share)	20	(12.76)	(6.12)	-	-
DILUTED EARNINGS PER SHARE (cents per share)	20	(12.76)	(6.12)	-	-

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
CURRENT ASSETS					
Cash assets	4	3,429,467	2,831,995	2,893,224	2,662,697
Receivables	5	680,463	37,911	23,955	25,012
Inventory	6	98,020	-	-	-
Other		23,557	30,537	14,267	19,457
TOTAL CURRENT ASSETS		4,231,507	2,900,443	2,931,446	2,707,166
NON-CURRENT ASSETS					
Other financial assets	7	-	-	2,183,350	1,508,343
Receivables	8	-	-	747,365	20,965
Plant & equipment	9	375,822	29,168	76,092	22,508
Intangible assets	10	2,479,712	363,462	-	-
TOTAL NON-CURRENT ASSETS		2,855,534	392,630	3,006,807	1,551,816
TOTAL ASSETS		7,087,041	3,293,073	5,938,253	4,258,982
CURRENT LIABILITIES					
Payables	11	1,376,877	302,896	162,192	86,425
Provisions	12	60,625	-	214	-
TOTAL CURRENT LIABILITIES		1,437,502	302,896	162,406	86,425
NON-CURRENT LIABILITIES					
Provisions	12	8,119	-	48	-
TOTAL NON-CURRENT LIABILITIES		8,119	-	48	-
TOTAL LIABILITIES		1,445,621	302,896	162,454	86,425
NET ASSETS		5,641,420	2,990,177	5,775,799	4,172,557
EQUITY					
Contributed equity	13	12,247,066	5,457,220	12,247,066	5,457,220
Accumulated losses	14	(6,605,646)	(2,520,681)	(6,471,267)	(1,284,663)
Equity attributable to member of the parent entity	15	5,641,420	2,936,539	5,775,799	4,172,557
Outside equity interests	15	-	53,638	-	-
TOTAL EQUITY		5,641,420	2,990,177	5,775,799	4,172,557

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Year ended 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers		242,107	-	-	-
Grant Income		303,908	114,181	-	-
Research and Development Tax Concession		382,328	-	-	-
Interest and other items of similar nature received		112,023	128,049	90,676	128,018
Payments to suppliers and employees		(3,186,975)	(1,607,259)	(1,098,658)	(841,649)
Other		86,247	-	144,747	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	17a	(2,060,362)	(1,365,029)	(863,235)	(713,631)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of plant and equipment		(254,483)	(19,244)	(70,926)	(19,244)
Proceeds from sale of plant and equipment		2,009	-	2,009	-
Payment for subsidiary, net of cash acquired	17d	(83,787)	-	(932,054)	(258,343)
Loans to other entities		-	-	(986,272)	(20,965)
Loans repaid by other entities		-	-	86,910	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(336,261)	(19,244)	(1,900,333)	(298,552)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of securities		3,588,021	2,643,052	3,588,021	2,643,052
On Market Buy Back		(255,475)	-	(255,475)	-
Capital Raising Costs		(338,451)	(214,418)	(338,451)	(214,418)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,994,095	2,428,634	2,994,095	2,428,634
NET INCREASE IN CASH HELD		597,472	1,044,361	230,527	1,416,451
Opening cash brought forward		2,831,995	1,787,634	2,662,697	1,246,246
CLOSING CASH CARRIED FORWARD	17b	3,429,467	2,831,995	2,893,224	2,662,697

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the AASB and the Corporations Act 2001.

The financial report covers the consolidated entity of Premier Bionics and controlled entities, and Premier Bionics as an individual parent entity. Premier Bionics is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following is a summary of the material accounting policies where adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 'Consolidated Accounts'. A list of controlled entities appears in note 7 to the 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 each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Outside interests in the equity and the results of the entities that are controlled are shown as a separate item in the consolidated financial statements.

(b) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

(c) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(d) Plant and Equipment

Plant and equipment are brought to account at cost.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation is provided on plant and equipment on a straight line basis so as to write off the cost of each asset over its expected useful life to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

	2005	2004
Computer Equipment	25-40%	25-40%
Furniture and Fittings	1%-20%	5-7.5%
Plant and Equipment	20%	-
Medical Equipment	15%	-
Fitout Assets	7.5%	-

(e) Other Financial Assets

Investments in controlled entities are recorded at cost or recoverable amount.

The parent entity's net asset position of $5,775,799 at 30 June 2005 (2004: $4,172,557) is greater than the consolidated net assets of at $5,641,420 at 30 June 2005 (2004: $2,990,177).

At 30 June 2005 the Directors' of Premier Bionics impaired the parent entity's investment in Pulmosonix by $3,445,965 to nil as part of its continuing conservative policy (refer to note 7 for further detail).

The Directors' of Premier Bionics believe that the expected progress in the development and commercialisation of Medic Vision and its recent acquisition during the 30 June 2005 financial year indicates the carrying amount of the investment of $2,183,350 (2004: N/A) by the parent entity is not carried at greater than recoverable amount.

1. Summary of Significant Accounting Policies (Continued)

(f) Research and Development Costs
Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together will unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

Any deferred research and development costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of research and development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criteria for deferral continues to be met. Where such costs are no longer considered recoverable, they are written-off as an expense in net profit or loss.

Government grants received or receivable in relation to research and development costs, which are deferred, are deducted from the carrying amount. Grants received or receivable in relation to research and development costs, which are recognised as an expense during the current or previous periods, are recognised as revenue.

(g) Intangible Assets
Intellectual Property and Know-How
Intellectual Property and Know-How is recorded at the historical purchase cost and is amortised on a straight-line basis over a period of 20 years, which is the period for the exclusive rights under which the patents and trademarks over the assets are granted. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identified net assets acquired, including any liability for restructuring costs, is recognised as goodwill and amortised on a straight-line basis over the period that the benefits are expected to arise. The cost of acquisition is discounted where settlement of any part of cash consideration is deferred.

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 10 years.

(h) Recoverable Amount of Non-Current Assets
Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(i) Foreign Currency
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in net profit or loss in the period in which they arise.

(j) Cash Policy
For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(k) Receivables
Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(l) Payables
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Financial Instruments Issued by the Company
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(n) Revenue Recognition
Revenue from Government Grants is recognised on an accrual basis when the consolidated entity gains control of the right to receive the grant in accordance with the terms of the grant agreements. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial assets. Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(o) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1. Summary of Significant Accounting Policies (Continued)

(p) Comparatives

Since the June 2004 Annual Report the expense general ledgers for Premier Bionics and its controlled entities have been reorganised and management reports have been prepared under new classifications. The 2004 figures in the Statement of Financial Performance have been reclassified to match the current management reporting framework. There has been no impact on net loss for the period arising from the reclassification. The most significant and material movement relates to reclassification of Consulting Fees incurred from PR consultants to Marketing and Promotion Expenses, amounting to $59,000 and the movement of annual report design and printing costs from Corporate Administration to Marketing and Promotion Expenses of $26,890.

(q) Changes in Accounting Policies

No changes in accounting policies have affected reporting of the current period or the previous, comparative period.

(r) Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charges as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

(s) Adoption of Australian Equivalents to International Financial Reporting Standards

Premier Bionics will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) for annual reporting periods beginning on or after 1 January 2005. Accordingly, Premier Bionics first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

The following pro-forma Statement of Financial Performance and Statement of Financial Position outline the likely impacts on the current year result and financial position of the Company and consolidated entity had the financial statements been prepared using A-IFRS, based on the Directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that future developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group) and the audit of the figures under A-IFRS may result in changes to the accounting policy decisions made by the Directors and, consequently, the likely impacts outlined in the following pro-forma financial statements.

A-IFRS comprise accounting standards issued by the Australian Accounting Standards Board that are equivalent to the Standards issued by the International Accounting Standards Board.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

Pro-forma Consolidated Statement of Financial Performance for the year ended 30 June 2005

	Notes	A-GAAP $	A-IFRS Adjustments $	A-IFRS $
REVENUES FROM ORDINARY ACTIVITIES		1,627,522	-	1,627,522
Cost of Goods Sold		(488,419)	-	(488,419)
Research and Development Expenses		(879,964)	-	(879,964)
Intellectual Property Expenses		(144,218)	-	(144,218)
Directors, Consulting and Employee Expenses	A&B	(839,022)	(20,417)	(859,439)
Corporate Administration		(655,434)	-	(655,434)
Travel and Entertainment		(332,214)	-	(332,214)
Marketing and Promotion		(897,352)	-	(897,352)
Amortisation and depreciation	D	(165,886)	129,386	(36,500)
Loss borne by parent entity on issue of new shares by controlled entities	D	(128,087)	(100,989)	(229,076)
Write down of Intellectual Property to recoverable amount	D	(253,573)	253,573	-
Write down of Goodwill to recoverable amount	D	(1,045,200)	1,045,200	-
Provision for bad debts		10,372	-	10,372
Other expenses from ordinary activities		(2,603)	-	(2,603)
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(4,194,078)	1,306,753	(2,887,325)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(4,194,078)	1,306,753	(2,887,325)
NET (LOSS) ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		109,113	-	109,113
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(4,084,965)	1,306,753	(2,778,212)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(4,084,965)	1,306,753	(2,778,212)

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

Pro-forma Consolidated Statement of Financial Position as at 30 June 2005

	Notes	A-GAAP $	A-IFRS Adjustments $	A-IFRS $
CURRENT ASSETS				
Cash assets		3,429,467	-	3,429,467
Receivables		680,463	-	680,463
Inventory		98,020	-	98,020
Other		23,557	-	23,557
TOTAL CURRENT ASSETS		4,231,507	-	4,231,507
NON-CURRENT ASSETS				
Plant & equipment		375,822	-	375,822
Intangible assets	D	2,479,712	42,029	2,521,741
TOTAL NON-CURRENT ASSETS		2,855,534	42,029	2,897,563
TOTAL ASSETS		7,087,041	42,029	7,129,070
CURRENT LIABILITIES				
Payables		1,376,877	-	1,376,877
Provisions	B	60,625	(30,497)	30,128
TOTAL CURRENT LIABILITIES		1,437,502	(30,497)	1,407,005
NON-CURRENT LIABILITIES				
Provisions	B	8,119	28,942	37,061
TOTAL NON-CURRENT LIABILITIES		8,119	28.942	37,061
TOTAL LIABILITIES		1,445,621	(1,555)	1,444,066
NET ASSETS		5,641,420	43,584	5,685,004
EQUITY				
Contributed equity	A	12,247,066	21,972	12,269,038
Accumulated losses		(6,605,646)	996,929	(5,608,717)
Adjustment for equity resulting from acquisition of outside equity interest	D	-	(975,317)	(975,317)
Equity attributable to member of the parent entity		5,641,420	43,584	5,685,004
Outside equity interests		-	-	-
TOTAL EQUITY		5,641,420	43,584	5,685,004

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

Pro-forma Company Statement of Financial Performance for the year ended 30 June 2005

	Notes	A-GAAP $	A-IFRS Adjustments $	A-IFRS $
REVENUES FROM ORDINARY ACTIVITIES	C	235,196	22,082	257,278
Directors, Consulting and Employee Expenses	A	(404,658)	(10,972)	(415,630)
Corporate Administration		(534,937)	-	(534,937)
Travel and Entertainment		(188,060)	-	(188,060)
Marketing and Promotion		(337,065)	-	(337,065)
Amortisation and depreciation		(15,234)	-	(15,234)
Write down of Investment to recoverable amount	D	(3,445,965)	1,508,343	(1,937,622)
Provision for non-recovery of loan to controlled entity	C	(493,278)	4,101	(489,177)
Other expenses from ordinary activities		(2,603)	-	(2,603)
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(5,186,604)	1,523,554	(3,663,050)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(5,186,604)	1,523,554	(3,663,050)
NET (LOSS) ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		-	-	-
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(5,186,604)	1,523,554	(3,663,050)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(5,186,604)	1,523,554	(3,663,050)

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

Pro-forma Company Statement of Financial Position as at 30 June 2005

	Notes	A-GAAP $	A-IFRS Adjustments $	A-IFRS $
CURRENT ASSETS				
Cash assets		2,893,224	-	2,893,244
Receivables		23,955	-	23,955
Other		14,267	-	14,267
TOTAL CURRENT ASSETS		2,931,446	-	2,931,446
NON-CURRENT ASSETS				
Other financial assets		2,183,350	-	2,183,350
Receivables	A&C	747,365	16,218	763,583
Plant & equipment		76,092	-	76,092
TOTAL NON-CURRENT ASSETS		3,006,807	16,218	3,023,025
TOTAL ASSETS		5,938,253	16,218	5,954,471
CURRENT LIABILITIES				
Payables		162,192	-	162,192
Provisions		214	-	214
TOTAL CURRENT LIABILITIES		162,406	-	162,406
NON-CURRENT LIABILITIES				
Provisions		48	-	48
TOTAL NON-CURRENT LIABILITIES		48	-	48
TOTAL LIABILITIES		162,454	-	162,454
NET ASSETS		5,775,799	16,218	5,792,017
EQUITY				
Contributed equity	A	12,247,066	21,972	12,269,038
Accumulated losses		(6,471,267)	(5,754)	(6,477,021)
Equity attributable to member of the parent entity		5,775,799	16,218	5,792,017
Outside equity interests		-	-	-
TOTAL EQUITY		5,775,799	16,218	5,792,017

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

Pro-forma Consolidated Statement of Financial Position as at 1 July 2004

	Notes	A-GAAP $	A-IFRS Adjustments $	A-IFRS $
CURRENT ASSETS				
Cash assets		2,831,995	-	2,831,995
Receivables		37,911	-	37,911
Other		30,537	-	30,537
TOTAL CURRENT ASSETS		2,900,443	-	2,900,443
NON-CURRENT ASSETS				
Plant & equipment		29,168	-	29,168
Intangible assets	D	363,462	(363,462)	-
TOTAL NON-CURRENT ASSETS		392,630	(363,462)	29,168
TOTAL ASSETS		3,293,073	(363,462)	2,929,611
CURRENT LIABILITIES				
Payables		302,896	-	302,896
TOTAL CURRENT LIABILITIES		302,896	-	302,896
TOTAL LIABILITIES		302,896	-	302,896
NET ASSETS		2,990,177	(363,462)	2,626,715
EQUITY				
Contributed equity		5,457,220	-	5,457,220
Accumulated losses	D	(2,520,681)	(309,824)	(2,830,505)
Equity attributable to member of the parent entity		2,936,539	(309,824)	2,626,715
Outside equity interests	D	53,638	(53,638)	-
TOTAL EQUITY		2,990,177	(363,462)	2,626,715

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

Pro-forma Company Statement of Financial Position as at 1 July 2004

	Notes	A-GAAP $	A-IFRS Adjustments $	A-IFRS $
CURRENT ASSETS				
Cash assets		2,662,697	-	2,662,697
Receivables		25,012	-	25,012
Other		19,457	-	19,457
TOTAL CURRENT ASSETS		2,707,166	-	2,707,166
NON-CURRENT ASSETS				
Other financial assets	D	1,508,343	(1,508,343)	-
Receivables	C	20,965	(20,965)	-
Plant & equipment		22,508	-	22,508
TOTAL NON-CURRENT ASSETS		1,551,816	(1,529,308)	22,508
TOTAL ASSETS		4,258,982	(1,529,308)	2,729,674
CURRENT LIABILITIES				
Payables		86,425	-	86,425
TOTAL CURRENT LIABILITIES		86,425	-	86,425
TOTAL LIABILITIES		86,425	-	86,425
NET ASSETS		4,172,557	(1,529,308)	2,643,249
EQUITY				
Contributed equity		5,457,220	-	5,457,220
Accumulated losses	C&D	(1,284,663)	(1,529,308)	(2,813,971)
Equity attributable to member of the parent entity		4,172,557	(1,529,308)	2,643,249
Outside equity interests		-	-	-
TOTAL EQUITY		4,172,557	(1,529,308)	2,643,249

The accompanying notes form part of these financial statements.

a. Share based payments
Under the consolidated entity's current accounting policies, it has expensed shares and options issued to consultants in lieu of services. The consolidated entity has not expensed options issued to employees and/or directors. Under A-IFRS all equity settled share base payments must be expensed. Equity instruments issued after 7 November 2002 that were not vested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity settled share based payments is expensed on a straight line basis over the vesting period. As a consequence, contributed equity will increase by $21,972 (Company: $21,972) as will the loan from Premier Bionics to Medic Vision $Nil (Company: $11,000) and an additional employee expense of $21,972 (Company: $10,972) will be recognised in the consolidated Statement of Financial Performance for the financial year ended 30 June 2005.

b. Employee Leave Provisions
Under the consolidated entity's current accounting policies, it recognises a provision for employee annual leave as a current liability. Under A-IFRS annual leave in excess of the annual entitlement that remains outstanding at the end of the accounting period must be recognised as a non-current liability. This non-current liability must be discounted. As a consequence, employee expenses will decrease by $1,555 (Company: $Nil) and be recognised in the Statement of Financial Performance for the financial year ended 30 June 2005. Non-current liabilities will increase by $28,942 (Company: $Nil) and current liabilities will decrease by $30,497 (Company: $Nil).

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

c. Financial Instruments

The Directors have elected not to apply the first-time adoption exemption available to the Company to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005.

Under the consolidated entity's current accounting policies, it does not charge interest on the loans made to subsidiaries. Under A-IFRS the consolidated entity is required to charge commercial interest. As a consequence, revenue from ordinary activities will increase by $Nil (Company: $22,082) and be recognised in the Statement of Financial Performance for the financial year ended 30 June 2005. At 30 June 2005 the Board resolved to provide in full for the loan by Premier Bionics to Pulmosonix. As a result, the A-IFRS adjustment will reduce the write down of the loan to recoverable amount by $Nil (Company: $4,101) in the Statement of Financial Performance. Non-current assets will increase by $Nil (Company: $5,218), representing the increase in the Medic Vision loan.

d. Intangible Assets

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired and is recognised as an asset. Under the consolidated entity's current accounting policies, goodwill is amortised over 10 years.

Under A-IFRS goodwill is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired, any impairment is recognised immediately in profit or loss and is not subsequently reversed. Prior to performing this impairment, goodwill is allocated to a cash generating unit. At 30 June 2004, the goodwill was attributable to Pulmosonix. Impairment testing of this goodwill at 1 July 2004 in accordance with A-IFRS resulted in a write off of the goodwill to recoverable amount as a discounted cash flow valuation resulted in nil valuation due to the R&D nature of the Pulmosonix business. As a result, the IP in Pulmosonix at 1 July 2004 was also written off under A-IFRS accounting principles.

As a consequence, in the financial statements at 30 June 2005 amortisation expense decreased by $129,386 (Company: $Nil) and the write down of Goodwill to recoverable amount decreased by $22,532 (Company: $Nil) and the write down of intangible assets to recoverable amount decreased by $253,573 (Company: $Nil) in the financial statements for the year ended 30 June 2005. This also increases the loss borne by the parent entity on issue of new shares by controlled entities by $53,638 (Company: $Nil) because the parent is forced to absorb losses attributable to the minority shareholders a year earlier. In the financial statements of the Company the write down of investment to recoverable amount decreased by $Nil (Company: $1,508,343).

The investment and goodwill created by the acquisition of Medic Vision has been supported by a discounted cash flow model and therefore has not been impaired. As a result, the amortisation of the Medic Vision goodwill is reversed, increasing the intangible asset by $42,029 (Company: $Nil).

Under A-GAAP, acquisition by a parent of an additional ownership interest in a subsidiary subsequent to the parent obtaining control is accounted for separately from the previous acquisitions of ownership interests in the subsidiary (that is, as a step acquisition). Under A-IFRS, the acquisition by a parent entity of an additional ownership interest in a subsidiary subsequent to the parent entity gaining control of that subsidiary is recognised as an equity transaction. As such accounting for the additional acquisition as a step transaction under A-IFRS is inappropriate. During the financial year ended 30 June 2005, Premier Bionics acquired from the outside equity shareholders in Pulmosonix, the remaining ownership interest in Pulmosonix which it did not already own. As a result of applying the requirements of A-IFRS, accounting for the acquisition of the ownership interests of the outside equity holders during the 30 June 2005 financial year, has resulted in goodwill on acquisition of Pulmosonix reducing by $975,317 (Company $Nil) and contributed equity decreasing by $975,317 (Company $Nil). As the goodwill associated with the Pulmosonix investment during 30 June 2005 financial year was written down to a recoverable amount of nil at 30 June 2005, consolidated operating expenses also reduce by $975,317 under A-IFRS.

e. Income Tax

Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Despite the above change in how tax is recognised, the consolidated entity does not expect there to be a material change in the financial statements at 30 June 2005. The accumulated tax losses amassed by the parent and its subsidiaries cannot be transferred from one entity to the other unless the consolidated entity elects to tax consolidate. At this time, that election has not been made. As the Company has yet to tax consolidate it is not probable that the tax losses in Premier and Pulmosonix will be utilised. Medic Vision has negligible tax losses available at 30 June 2005. However, the consolidated entity will continue to evaluate this in future periods.

1. Summary of Significant Accounting Policies (Continued)

(s) Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

f. Business Combinations
On initial adoption to A-IFRS the Directors have not elected to restate business combinations that occurred before 1 July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the cessation of goodwill amortisation and recognition of additional deferred tax assets and tax liabilities, if applicable.

Premier Bionics acquired Medic Vision during the financial year. Under A-IFRS, deferred tax liabilities and deferred tax assets acquired are measured on a different basis to present (refer (e) above) and contingent liabilities that are reliability measured are required to be recognised separately from goodwill where they met the criteria for separate recognition. These intangible assets may not have been separately recognised from goodwill under present account requirements.

In respect of the acquisition during the year, there were no contingent liabilities or new intangible assets requiring recognition under A-IFRS.

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
2. Profit/Loss from Ordinary Activities				
(a) Revenues from Non-Operating Activities				
(i) Revenue from operating activities:				
Sales	657,678	-	-	-
(ii) Revenue from non-operating activities:				
Interest - Other persons/corporations	112,023	128,049	90,676	128,018
Government grant subsidiaries	356,743	114,181	-	-
Research and Development Tax Concession	382,328	-	-	-
Other Income	118,750	-	144,520	-
Total revenues	1,627,522	242,230	235,196	128,018
(b) Expenses from Operating Activities				
Profit/Loss from ordinary activities before income tax has been determined after:				
Expenses				
Base Directors Fees	268,333	220,000	268,333	220,000
Consultants Fees	401,807	184,355	87,904	34,355
Employment Expenses	168,882	29,918	48,421	12,337
Total Directors, Consulting and Employee expenses	839,022	434,273	404,658	266,692
Depreciation of non-current assets				
- Computer Equipment	24,176	12,146	10,594	3,810
- Furniture and Fittings	3,773	1	3,773	1
- Fitout Assets	867	-	867	-
- Medical Equipment	554	-	-	-
- Plant and Equipment	7,130	-	-	-
Total Depreciation	36,500	12,147	15,234	3,811
Write down of Intellectual Property to recoverable amount	253,573	-	-	-
Write down of Goodwill to recoverable amount	1,045,200	-	-	-
Write down of Investment to recoverable amount	-	-	3,445,965	-
Total write downs to recoverable amount	1,298,773	-	3,445,965	-
Amortisation of intangible assets				
- Intellectual Property	15,525	15,777	-	-
- Goodwill on consolidation	113,861	12,176	-	-
Total Amortisation	129,386	27,953	-	-
Net Foreign currency exchange gain/loss	28,326	6	67	6
Operating Leases	36,830	-	36,830	-

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
3. INCOME TAX EXPENSE				
(a) The prima facie tax payable on profit/loss from ordinary activities before income tax is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax payable on operating profit/loss before income tax at 30% (2004:30%)	(1,258,224)	(500,324)	(1,555,981)	(230,171)
Non-tax deductible items	505,991	37,783	32,500	9,965
Losses carried forward not recognised	752,233	462,541	1,523,481	220,206
Income Tax Expense	-	-	-	-
(b) The Directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is:				
Losses carried forward	1,296,096	834,721	687,032	364,893
Timing differences - prepayments	20,623	2,296	1,221,486	1,028
	1,316,719	837,017	1,908,518	365,921

This benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

At 30 June 2005, the Company had not elected to tax consolidate.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
(c) Balance of franking account	-	-	-	-
4. CASH ASSETS				
Cash at bank	3,429,467	2,831,995	2,893,224	2,662,697
	3,429,467	2,831,995	2,893,224	2,662,697
5. RECEIVABLES (CURRENT)				
Goods and Services Tax	31,450	33,092	23,847	20,208
Trade debtors	551,882	-	-	-
Other debtors	97,131	4,819	108	4,804
	680,463	37,911	23,955	25,012

At 30 June 2005 included in Receivables is an amount of HKD$183,333 (A$30,983).This amount has not been effectively hedged.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
6. INVENTORY				
Work in progress	98,020	-	-	-
	98,020	-	-	-

	Country of Incorporation	% of Equity interest held in consolidated entity 2005 %	2004 %	Investment 2005 $	2004 $
7. INTEREST IN CONTROLLED ENTITIES					
Parent Entity:					
Premier Bionics Ltd					
ACN 099 084 143					
Registered 18/12/2001	Australia				
Investments in subsidiaries at cost:					
Pulmosonix Pty Ltd					
ACN 096 917 127					
Registered 24/05/2001	Australia	100%	76.84	-	1,508,343
Medic Vision Pty Ltd					
ACN 090 992 322					
Registered 20/12/1999	Australia	100%	-	2,183,350	-
				2,183,350	1,508,343

During the year, the Company increased its interest in Pulmosonix by $1,937,622. At 30 June 2005 the investment in Pulmosonix was written down $3,445,965 to its recoverable amount based on the Directors current cash flow forecasts that have not been discounted to net present value.

	Consolidated 2005 $	2004 $	Company 2005 $	2004 $
8. RECEIVABLES (NON-CURRENT)				
Loan to controlled entities	-	-	1,240,643	20,965
Provision for non-recovery of loan to controlled entity (i)	-	-	(493,278)	-
	-	-	747,365	20,965
(i) Provision for non-recovery of loan relates to Pulmosonix, a wholly owned subsidiary of Premier Bionics.				
9. PLANT and EQUIPMENT				
Computer Equipment				
At cost	143,301	45,070	46,087	19,809
Accumulated depreciation	(50,284)	(26,236)	(18,101)	(7,635)
Computer Equipment at 30 June 2005	93,017	18,834	27,986	12,174
Furniture and Fittings				
At cost	40,073	10,335	40,073	10,335
Accumulated depreciation	(3,774)	(1)	(3,774)	(1)
Furniture and Fittings at 30 June 2005	36,299	10,334	36,299	10,334
Fitout Assets				
At cost	12,674	-	12,674	-
Accumulated depreciation	(867)	-	(867)	-
Fitout Assets at 30 June 2005	11,807	-	11,807	-
Medical Equipment				
At cost	10.907	-	-	-
Accumulated depreciation	(554)	-	-	-
Medical Equipment at 30 June 2005	10,353	-	-	-

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
9. PLANT and EQUIPMENT (CONTINUED)				
Plant and Equipment				
At cost	231,476	-	-	-
Accumulated depreciation	(7,130)	-	-	-
Plant and Equipment at 30 June 2005	224,346	-	-	-
	375,822	29,168	76,092	22,508

As part of the acquisition of Medic Vision, Premier Bionics acquired $190,021 in plant and equipment that had been depreciated by $59,241 at 1 May 2005. On acquisition, accumulated depreciation was offset again the cost. The written down value of plant and equipment of $130,780 was acquired as part of the Medic Vision acquisition. This represented its fair value.

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

2005 - Consolidated	Computer Equipment $	Furniture & Fittings $	Fitout Assets $	Medical Equipment $	Plant & Equipment $	Total $
Carrying amount at 1 July 2004	18,834	10,334	-	-	-	29,168
Additions	100,595	29,738	12,674	10,907	231,476	385,390
Disposals	(2,236)	-	-	-	-	(2,236)
Depreciation Expense	(24,176)	(3,773)	(867)	(554)	(7,130)	(36,500)
Carrying amount at 30 June 2005	93,017	36,299	11,807	10,353	224,346	375,822

2005 - Company	Computer Equipment $	Furniture & Fittings $	Fitout Assets $	Total $
Carrying amount at 1 July 2004	12,174	10,334	-	22,508
Additions	28,642	29,738	12,674	71,054
Disposals	(2,236)	-	-	(2,236)
Depreciation Expense	(10,594)	(3,773)	(867)	(15,234)
Carrying amount at 30 June 2005	27,986	36,299	11,807	76,092

2004 - Consolidated	Computer Equipment $	Furniture & Fittings $	Total $
Carrying amount at 1 July 2003	22,071	-	22,071
Additions	8,909	10,335	19,244
Disposals	-	-	-
Depreciation Expense	(12,146)	(1)	(12,147)
Carrying amount at 30 June 2004	18,834	10,334	29,168

2004 - Company	Computer Equipment $	Furniture & Fittings $	Total $
Carrying amount at 1 July 2003	7,075	-	7,075
Additions	8,909	10,335	19,244
Disposals	-	-	-
Depreciation Expense	(3,810)	(1)	(3,811)
Carrying amount at 30 June 2004	12,174	10,334	22,508

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
10. INTANGIBLE ASSETS				
(a) Goodwill				
Pulmosonix				
Goodwill at cost	1,144,428	121,760	-	-
Less Accumulated amortisation	(99,228)	(27,396)	-	-
	1,045,200	94,364	-	-
Write down of Goodwill to recoverable amount	(1,045,200)	-	-	-
	-	94,364	-	-
Medic Vision				
Goodwill at cost	2,521,741	-	-	-
Less Accumulated amortisation	(42,029)	-	-	-
	2,479,712	-	-	-
(b) Intellectual Property				
Intellectual Property at Cost	310,500	310,500	-	-
Less Accumulated amortisation	(56,927)	(41,402)	-	-
	253,573	269,098	-	-
Write down of Intellectual Property to recoverable amount (i)	(253,573)	-	-	-
	-	269,098	-	-
	2,479,712	363,462	-	-

(i) At 30 June 2005 the intangible assets in Pulmosonix consisting of goodwill and intellectual property were written down by $1,045,200 and $253,373 respectively to their recoverable amount based on the Directors current cash flow forecasts that have not been discounted to net present value.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
11. PAYABLES				
Trade creditors	611,363	36,130	30,077	14,718
Accrued Expenses	765,514	266,766	132,115	71,707
	1,376,877	302,896	162,192	86,425

At 30 June 2005, included in Payables is an amount of USD$228,732 (A$300,370), EUR$40,980 (A$64,933), HKD$80,940 (A$13,679). These amounts have not been effectively hedged.

12. PROVISIONS

Employee Benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Provision for employee benefits:				
- Annual Leave (Current)	60,625	-	214	-
- Long Service Leave (Non-Current)	8,119	-	48	-
	68,744	-	262	-

As part of the acquisition of Medic Vision, Premier Bionics acquired $48,053 in employee provisions.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
13. CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Ordinary shares fully paid	11,578,743	5,457,220	11,578,743	5,457,220
Options	668,323	-	668,323	-
	12,247,066	5,457,220	12,247,066	5,457,220

	2005 No of Shares	2005 $	2004 No of Shares	2004 $
Movements in shares on issue				
Beginning of the financial year	29,120,624	5,457,220	21,298,703	3,018,586
Movements during the year				
- exercise of options (i)	142,000	28,400	19,998	3,999
- issue to Consultants (ii)	1,436,991	438,317	40,000	10,000
- private placement (iii)	11,482,647	3,559,621	7,761,923	2,639,053
- acquisition of subsidiary (iv)	8,241,511	2,689,111	-	-
- on market buy back (v)	(685,649)	(255,475)	-	-
- less transaction costs	-	(338,451)	-	(214,418)
End of the financial year	49,738,124	11,578,743	29,120,624	5,457,220

	Details	Number	Exercise Price $	$
(i) 2004-2005				
28 July 2004	Exercise of Options	142,000	0.20	28,400
(ii) 2004-2005				
16 July 2004	Issue to Consultants in order to settle expenses	104,927	0.3815	40,030
5 October 2004	Issue to Consultants in order to settle expenses	227,252	0.326	70,556
9 March 2005	Issue to Consultants in order to settle expenses	184,530	0.3568	62,703
23 March 2005	Issue to Consultants in order to settle expenses	158,515	0.3374	50,931
20 April 2005	Issue to Consultants in order to settle expenses	114,678	0.2967	32,397
3 May 2005	Issue to Consultants in order to settle expenses	161,290	0.31	50,000
4 May 2005	Issue to Consultants in order to settle expenses	141,936	0.31	44,000
6 May 2005	Issue to Consultants in order to settle expenses	109,367	0.2825	30,896
16 May 2005	Issue to Consultants in order to settle expenses	134,496	0.2562	32,804
17 May 2005	Issue to Consultants in order to settle expenses	100,000	0.24	24,000
		1,436,991		438,317

	Details	Number	Issue Price $	$
(iii) 2004-2005				
4 March 2005	Capital Raising	11,482,647	0.31	3,559,621
(iv) 2004-2005				
23 December 2004	Issue to Pulmosonix Shareholders	1,789,898	0.385	689,111
3 May 2005	Issue to Medic Vision Shareholders	6,451,613	0.31	2,000,000
		8,241,511		2,689,111

Refer to note 17(c) and (d) for further detail.

13. CONTRIBUTED EQUITY (CONTINUED)

	Details	Number	Issue Price $	$
(v) 2004-2005				
5 July 2004	On market buy-back	10,000	0.385	3,850
12 July 2004	On market buy-back	33,894	0.40	13,558
13 July 2004	On market buy-back	6,106	0.40	2,442
22 July 2004	On market buy-back	182,000	0.39	70,980
23 July 2004	On market buy-back	25,000	0.39	9,750
26 July 2004	On market buy-back	41,370	0.39	16,134
27 July 2004	On market buy-back	74,785	0.388	29,050
29 July 2004	On market buy-back	150,000	0.38	57,000
22 September 2004	On market buy-back	28,825	0.335	9,656
24 September 2004	On market buy-back	21,175	0.33	6,994
4 October 2004	On market buy-back	69,007	0.32	22,082
5 October 2004	On market buy-back	30,993	0.32	9,918
3 November 2004	On market buy-back	12,494	0.325	4,061
		685,649		255,475

On 3 June 2004 the Company announced its intention to buy-back up to 5% (maximum 1.45 million shares) of its fully paid ordinary shares over the 12 months period beginning 22 June 2004. The Company resolved to offer the buy-back to shareholders following consideration of the performance of the Company's share price combined with the commercial potential for four of the devices under development. The Board believed at that time that the limited buy-back was an appropriate investment for the Company's surplus and uncommitted funds. The Company appointed a broker to act on the Company's behalf. The buy-back ended on 8 April 2005. At this time, 685,649 shares had been acquired by the Company, representing 2.35% of the Company's shares at 30 June 2004.

	Details	Number	Exercise Price $	$
(i) 2003-2004				
3 September 2003	Exercise of Options	6,666	0.20	1,333
25 September 2003	Exercise of Options	6,666	0.20	1,333
17 June 2004	Exercise of Options	6,666	0.20	1,333
		19,998		3,999

	Details	Number	Issue Price $	$
(ii) 2003-2004				
25 September 2003	Issue to a Consultant in order to settle expenses	10,000	0.10	1,000
27 February 2004	Issue to a Consultant in order to settle expenses	30,000	0.30	9,000
		40,000		10,000
(iii) 2003-2004				
25 September 2003	Issue under Private Placement	7,644,333	0.34	2,599,073
3 October 2003	Issue under Private Placement	117,590	0.34	39,980
		7,761,923		2,639,053

	2005 No of Options	2005 $	2004 No of Options	2004 $
13. CONTRIBUTED EQUITY (CONTINUED)				
(b) Share Options				
Movements in share options				
Beginning of the financial year	23,489,423	-	18,698,459	-
- Exercise of Options (i)	(142,000)	-	(19,998)	-
- Issue of options to Consultants (ii)	2,360,487	244,654	930,000	-
- Issue of options in connection with ordinary shares issued via private placement (iii)	2,870,662	-	3,880,962	-
- Issue of options to Directors (iv)	1,300,000	-	-	-
- Issue of options to Executives (v)	225,000	17,500	-	-
- Issue of options for acquisition of subsidiary (vi)	2,320,968	406,169	-	-
End of the financial year	32,424,540	668,323	23,489,423	-

	Details	Number
(i) 2004-2005		
28 July 2004	Exercise of Options @ $0.20	142,000

	Details	Number	Issue Price $	$
(ii) 2004-2005				
30 November 2004	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[1]	250,000	0.12	30,000
30 November 2004	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[1]	175,000	0.114	20,000
23 December 2004	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[1]	225,000	0.10	22,500
4 May 2005	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[1]	310,487	0.11	34,154
4 May 2005	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[2]	400,000	0.07	28,000
4 May 2005	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[2]	500,000	0.11	55,000
23 May 2005	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006[1]	500,000	0.11	55,000
		2,360,487		244,654

[1] Issue price based on value of services provided.
[2] Issue price based on price of listed options at grant date

	Details	Number
(iii) 2004-2005		
4 May 2005	Listed options issued under capital raising, exercisable @ $0.20 on or before 24 December 2006	2,870,662

13. CONTRIBUTED EQUITY (CONTINUED)

	Details	Number
(iv) 2004-2005		
23 December 2004	Unlisted options issued to a Director, exercisable @ $0.30 on or before 24 December 2006	300,000
4 May 2005	Unlisted options issued to a Director, exercisable @ a price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2008, expiring on 3 May 2010	500,000
4 May 2005	Unlisted options issued to a Director, exercisable @ a price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2007, expiring on 3 May 2009	500,000
		1,300,000

	Details	Number	Issue Price $	$
(v) 2004-2005				
23 December 2004	Unlisted options issued to an Executive, exercisable @ $0.30 on or before 24 December 2006[1]	125,000	0.14	17,500
4 May 2005	Listed options issued to an Executive, exercisable @ $0.20 on or before 24 December 2006	100,000	-	-
		225,000		17,500

[1] These options were valued using the Black Scholes Model.

	Details	Number	Issue Price $	$
(vi) 2004-2005				
23 December 2004	Listed options issued to shareholders of Pulmosonix in connection with acquisition of minority interest, exercisable @ $0.20 on or before 24 December 2006[2]	2,320,968	0.175	406,169

[2] Issue price based on price of listed options at grant date. Option escrowed.

	Details	Number
(i) 2003-2004		
3 September 2003	Exercise of Options @ $0.20	(6,666)
25 September 2003	Exercise of Options @ $0.20	(6,666)
17 June 2004	Exercise of Options @ $0.20	(6,666)
		(19,998)
(ii) 2003-2004		
15 October 2003	Unlisted options issued to Consultants, exercisable @ $0.30 on or before 30 September 2006	400,000
27 February 2004	Unlisted options issued to Consultants, exercisable @ $0.50 on or before 30 September 2006	30,000
20 May 2004	Listed options issued to Consultants, exercisable @ $0.20 on or before 24 December 2006	500,000
		930,000

13. CONTRIBUTED EQUITY (CONTINUED)

	Details	Number
(iii) 2003-2004		
25 September 2003	Listed options issued under Private Placement, exercisable @ $0.20 on or before 24 December 2006	3,822,167
3 October 2003	Listed options issued under Private Placement, exercisable @ $0.20 on or before 24 December 2006	58,795
		3,880,962

(c) Terms and Conditions of Contributed Equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

Option holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company. Options may be exercised at any time from the date they vest to the date of their expiry. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
14. ACCUMULATED LOSSES				
Balance at beginning of year	(2,520,681)	(1,074,370)	(1,284,663)	(517,427)
Net loss attributable to members of the Parent Entity	(4,084,965)	(1,446,311)	(5,186,604)	(767,236)
Balance at end of year	(6,605,646)	(2,520,681)	(6,471,267)	(1,284,663)

	Members of the Parent Entity		Outside Equity Interests	
	2005	2004	**2005**	2004
	$	$	**$**	$
15. EQUITY BALANCES				
(a) PEI & OEI Equity Balances				
Contributed Equity	12,247,066	5,457,220	-	422,749
Accumulated Losses	(6,605,646)	(2,520,681)	-	(369,111)
Total Interest in Equity	5,641,420	2,936,539	-	53,638

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
15. EQUITY BALANCES (CONTINUED)					
(b) Outside Equity Balances					
Reconciliation of outside equity interest (OEI) in controlled entities:					
- Opening Balance		53,638	209,673	-	-
- Less share of operating (loss) up to date of acquisition of OEI by Premier Bionics		(109,113)	(221,435)	-	-
- Loss borne by parent entity on issue of new shares by subsidiary		128,087	65,400	-	-
- Loss of equity investment		(438,760)	-	-	-
- Losses previously absorbed by OEI		559,635	-	-	-
- Losses previously absorbed by parent on issue of new shares by subsidiary		(193,487)	-	-	-
Closing Balance		-	53,638	-	-

16. EXECUTIVE SHARE OPTION PLAN

At the Annual General Meeting held on 16 November 2004, shareholders approved the establishment of the 2004 Employees, Directors' and Consultants' Share and Option Plan. At 30 June 2005 no equity had been issued under the plan.

17. STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash Flows from Operations with Operating Loss after Income Tax

	Notes	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Operating Loss after Income Tax		(4,194,078)	(1,667,746)	(5,186,604)	(767,236)
Non Cash Movements					
- Amortisation	2b	129,386	27,953	-	-
- Depreciation	2b	36,500	12,147	15,234	3,811
- Shares issued for nil consideration		650,470	10,000	330,154	10,000
- Loss borne by parent entity	15b	128,087	65,400	-	-
- Provision for employee entitlements	12	20,691	-	262	-
- Write down of goodwill to recoverable value	10	1,045,200	-	-	-
- Write down of intellectual property to recoverable value	10	253,573	-	-	-
- Provision for non-recovery of loan	8	-	-	493,278	-
- Write down of investment to recoverable value	7	-	-	3,445,965	-
- Loss on asset disposal		99	-	99	-
Changes in assets and liabilities					
- Increase/(decrease) in payables	11	445,815	204,436	32,130	48,737
- (Increase)/decrease in receivables	5	(583,085)	(6,519)	1,057	(9,323)
- (Increase)/decrease in current assets	6	6,980	(10,700)	5,190	380
Net cash flow used in operating activities		(2,060,362)	(1,365,029)	(863,235)	(713,631)
(b) Reconciliation of cash					
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:					
- cash on hand	4	3,429,467	2,831,995	2,893,224	2,662,697
		3,429,467	2,831,995	2,893,224	2,662,697

17. STATEMENT OF CASH FLOWS (CONTINUED)

(c) Investment in Controlled Entity

Pulmosonix

In May 2004, Premier Bionics entered into a Subscription Deed with its controlled entity Pulmosonix, under which Premier Bionics was to acquire a further interest by the issue of new fully paid ordinary shares by Pulmosonix. These further investments were based on investment tranches under which Premier Bionics obligation to subscribe for shares was subject to the achievement of certain research milestones by Pulmosonix. The achievement of research milestones trigged Premier Bionics obligation to invest and resulted in the following further investments:

i. 200 ordinary shares on 7 July 2004 for a total subscription of $247,218;
ii. 200 ordinary shares on 7 September 2004 for a total subscription of $247,218; and
iii. 200 ordinary shares on 5 November 2004 for a total subscription of $247,218;

On 3 December 2004 Premier Bionics also exercised 58 options under the Option Deed previously entered into with Pulmosonix at a total exercise price of $100,688. At this time, Premier Bionics also exercised its option under the Put and Call Option Agreement to acquire the interests of the minority Pulmosonix shareholders. In exchange for the remaining 280 shares in Pulmosonix, Premier Bionics issued to the minority Pulmosonix shareholders 1,789,898 shares and 2,320,968 options in Premier Bionics, valued in the accounts at $1,095,280. Following this issue, Premier Bionics owned 100% of Pulmosonix.

	$
Purchase Consideration	1,095,280
Fair value of identifiable net assets of the controlled entity acquired:	
- cash	444,184
- receivables	219,029
- fixed assets	45,271
- intangible assets	261,335
- payables	(485,739)
	484,080
Goodwill on consolidation:	
Purchase consideration	1,095,280
Net Assets (15%)	(72,612)
	1,022,668

(d) Acquisition of Entities

Medic Vision

In May 2005 Premier Bionics acquired 100% of Medic Vision Ltd via the issue of 6,451,613 shares to the shareholders of Medic Vision. This issue was valued in the accounts at $2,000,000. Subject to a binding sales order on commercial terms for one Epidural Trainer Premier Bionics will issue the previous shareholders of Medic Vision with a further $1,000,000 in equity as follows:

- $850,000 Premier Bionics Shares; and
- $150,000 Premier Bionics Options. ("Final Tranche")

The share price will be equal to the average ASX closing price of the Premier Bionics shares for the 10 trading days immediately preceding the date on which Premier Bionics becomes liable to issue the Final Tranche.

The option price will be equal to the average ASX closing price of the Premier Bionics options for the 10 trading days immediately preceding the date on which Premier Bionics becomes liable to issue the Final Tranche.

The Final Tranche is issuable when Medic Vision reaches a milestone of obtaining a binding sales order on commercial terms for the purchase of one (1) Epidural Trainer. If the milestone is not reached by 31 December 2005, the entitlement to the Final Tranche will lapse.

The effect of the above payments, if it is to occur, is to increase the Company's contributed equity by $1million, the Company's investment in subsidiaries by $1million in its own accounts, and goodwill in the consolidated accounts by $1million.

17. STATEMENT OF CASH FLOWS (CONTINUED)

(d) Acquisition of Entities (Continued)

Settlement occurred on 10 May 2005 for the acquisition of 100% of the controlled entity Medic Vision. Details of the transaction are:

Purchase consideration:	
- cash consideration paid for expenses relating to acquisition	89,712
- equity consideration paid for expenses relation to acquisition	93,638
- equity consideration paid to shareholders of Medic Vision	2,000,000
Total Purchase Consideration Paid[1]	2,183,350
Fair value of identifiable net assets of the controlled entity acquired:	
- cash	5,925
- receivables	157,487
- fixed assets	130,780
- payables	(584,530)
- employee provisions	(48,053)
	(338,391)
Goodwill on consolidation	2,521,741

[1] There is a potential further payment, based on the milestone disclosed above and in note 26, Contingent Liabilities.

18. EXPENDITURE COMMITMENTS

The CFO Solution provides administrative support at a rate of $12,500 per month plus GST. This commitment may be terminated with 3 months' notice from either party.

On 1 July 2004 Premier Bionics entered in to a sub-lease for 30 months (expiring 31 December 2006) at a rate of $36,362 per annum, with an annual increase of 3.5% per annum on the anniversary of the lease. The lease contains an option to extend the term of the sub-lease by a further 27 months at an increasing rate of 3.5% per annum.

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
Payable:				
- not later than 1 year	37,635	-	37,635	-
- later than 1 year but not later than 5 years	19,476	-	19,476	-
- later than 5 years	-	-	-	-

19. SUBSEQUENT EVENTS

On 8 July 2005, 207,800 shares were issued to a consultant in lieu of consulting fees. Other than as disclosed here or elsewhere in this report, no further subsequent events occurred.

	Consolidated	
	2005	2004
20. EARNINGS PER SHARE	Cents	Cents
Basic earnings/(loss) per share	(12.76)	(6.12)
Diluted earnings/(loss) per share	(12.76)	(6.12)
The following reflects the income and share data used in the calculations of basic and diluted earnings/loss per share.		
Net loss used in calculation of basic & diluted earning per share:	(4,194,078)	(1,667,746)
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings/(loss) per share:	32,880,837	27,257,878
Options considered to be potential ordinary shares are included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. In calculating diluted earnings the weighted average shares/options used were:	32,880,837	27,257,878
Options on issue are not considered to be potential ordinary shares at 30 June 2005 and 2004 because a net loss has been made for the period. The inclusion of options in the earnings per share calculation does not result in a further dilution.		
207,800 ordinary shares and nil potential ordinary shares have been issued after balance date.		

21. DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Names and positions held of Specified Directors and Specified Executives in office at any time during the financial year and since balance date are:

Specified Directors:

Peter Marks	Executive Director
Jeremy Cooper	Executive Director
Ross Horley	Executive Director of Premier Bionics and CEO of Medic Vision appointed 10 May 2005
Martin Soust	Non-Executive Director as of 17 August 2005, previously Executive Director and CEO
Henry Pinskier	Non-Executive Director
John Parker	Non-Executive Director

Specified Executives:

Phillip Hains	Company Secretary and CFO
Anthony Filippis	Vice President Business Development until August 2005
John Petrou	CTO of Pulmosonix, commenced with Pulmosonix in December 2004
Catriona King	COO of Premier Bionics until April 2005
Billy Chan	General Sales Manager of Medic Vision, Medic Vision was acquired in May 2005

(b) Parent Entity Directors' Remuneration

2005	**Base Fee[4]**	**Other Compensation Benefits[3]**	**Equity Compensation**	**Total**
	$	**$**	**$**	**$**
Peter Marks	80,000	40,000	-	120,000
Jeremy Cooper	60,000	20,000	-	80,000
Ross Horley[1]	8,333	24,800	10,972	44,105
Martin Soust	40,000	100,000	-	140,000
Henry Pinskier	40,000	50,000	-	90,000
John Parker[2]	40,000	-	42,000	82,000
	268,333	234,800	52,972	556,105
2004				
Peter Marks	80,000	25,000	10,771	115,771
Jeremy Cooper	60,000	20,000	6,463	86,463
Martin Soust	30,000	100,000	21,542	151,542
Henry Pinskier	40,000	-	6,463	46,463
John Parker	10,000	-	-	10,000
	220,000	145,000	45,239	410,239

[1] During the financial year ended 30 June 2005, Ross Horley received 1,000,000 options issued by Premier Bionics for nil cash payment for services provided. 500,000 options vested on 4 May 2007, exercisable at a price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2007, expiring on 3 May 2009. The other 500,000 options vested on 4 May 2008, exercisable at a price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2008, expiring on 3 May 2010. At 30 June 2005 they were not recognised as an expense in the financial report but were recognised for the purposes of this note and the Remuneration Report using the Black Scholes model at the 5 day Volume Weighted Average Price prior to 30 June 2005 at a 10% discount, for $0.15 and $0.17 per option respectively, for 2 months of their respective vesting periods with the remaining value to be recognised in subsequent periods of $149,028.

[2] During the financial year ended 30 June 2005, John Parker received 300,000 options issued by Premier Bionics for nil cash payment for services provided, exercisable at $0.30 on or before 24 December 2006. These options are unlisted and were valued using the Black Scholes Model, at $0.14 per option for the purposes of this note and the Remuneration Report disclosed in the Directors' Report. The Black Scholes Model takes into account such factors as the exercise price of the option, life of the option, price of the option, price of underlying securities at grant date, volatility of the company's share price, a risk free interest rate and dividend yield. The options have not been recognised as an expense in the financial report.

[3] Other fees paid to Directors consist of additional consulting fees and remuneration for executive roles, for example the role CEO for Martin Soust.

[4] Base Fee includes any superannuation paid to specified directors if applicable.

21. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

(c) Specified Executives Remuneration

2005	Base Fee[4]	Other Compensation Benefits[3]	Equity Compensation	Total
	$	$	$	$
Phillip Hains[1]	20,000	150,000	-	170,000
Anthony Filippis	62,000	-	-	62,000
John Petrou	93,242	-	-	93,242
Catriona King[2]	54,625	-	17,500	72,125
Billy Chan[3]	17,250	10,000	11,000	38,250
	247,117	160,000	28,500	435,617
2004				
Anthony Filippis	44,000	-	21,487	65,487
Phillip Hains[1]	20,000	150,000	-	170,000
	64,000	150,000	21,487	235,487

[1] Other Compensation Benefits were paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr. Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as CFO.

[2] During the financial year ended 30 June 2005, Catriona King received 125,000 options issued by Premier Bionics for nil cash payment for services provided exercisable at $0.30 on or before 24 December 2006. These options are unlisted and were valued using the Black Scholes Model, at $0.14 per option. The Black Scholes Model takes into account such factors as the exercise price of the option, life of the option, price of the option, price of underlying securities at grant date, volatility of the company's share price, a risk free interest rate and dividend yield. These options have been recognised as an expense in the financial report.

[3] In May 2005, Billy Chan received 100,000 listed options issued by Premier Bionics for nil cash payment for services provided, exercisable at $0.20 on or before 24 December 2006. These options were valued using the closing price of the listed options on the date of issue, being $0.11 per option for the purposes of this note and the Remuneration Report. The options have not been recognised as an expense in the financial report.

[4] Base Fee includes any superannuation paid to specified executives if applicable.

21. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

(d) Remuneration Options

Options over ordinary shares granted as Remuneration in 2005	Vested No.	Granted No.	Grant Date	Value per option at Grant Date (cents)	Exercise Price (cents)	First Exercise Date	Last Exercise (cents)
Directors:							
John Parker	300,000	300,000	23 Dec 2004	14	30	23 Dec 2004	24 Dec 2006
Ross Horley	-	500,000	4 May 2007	15	5 day Volume Weighted Average Price prior to 4 May 2007 at a 10% discount	4 May 2007	4 May 2009
Ross Horley	-	500,000	4 May 2008	17	5 day Volume Weighted Average Price prior to 4 May 2008 at a 10% discount	4 May 2008	4 May 2010
	300,000	1,300,000					

Options over ordinary shares granted as Remuneration in 2005	Vested No.	Granted No.	Grant Date	Value per option at Grant Date (cents)	Exercise Price (cents)	First Exercise Date	Last Exercise (cents)
Executives:							
Catriona King	125,000	125,000	23 Dec 2004	14	30	23 Dec 2004	24 Dec 2006
Billy Chan	100,000	100,000	4 May 2005	11	20	4 May 2005	24 Dec 2006
	225,000	225,000					

Please see notes 21(b) and 21(c) for detail on valuation of options.

(e) Shares issued on Exercise of Remuneration Options

Nil

21. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

(f) Options and Rights Holdings

Number of Options held by Specified Directors and Executives

	Balance 1.7.04	Granted as Remuneration	Options Exercised	Net Change Other[1]	Balance 30.6.05	Total Exercisable 30.6.05	Total Not Exercisable 30.6.05
Parent Entity Directors							
Peter Marks	624,165	-	-	12,500	636,665	636,665	-
Jeremy Cooper	420,830	-	-	7,500	428,330	428,330	-
Ross Horley	-	1,000,000	-	-	1,000,000	-	1,000,000
Martin Soust	1,045,789	-	-	243,772	1,289,561	1,289,561	-
Henry Pinskier	450,000	-	-	41,250	491,250	491,250	-
John Parker	-	300,000	-	40,323	340,323	340,323	-
	2,540,784	1,300,000	-	345,345	4,186,129	3,186,129	1,000,000
Specified Executives							
Phillip Hains	6,666	-	-	-	6,666	6,666	-
Anthony Filippis	100,000	-	-	-	100,000	100,000	-
John Petrou	-	-	-	-	-	-	-
Catriona King	-	125,000	-	-	125,000	125,000	-
Billy Chan	-	100,000	-	-	100,000	100,000	-
	106,666	225,000	-	-	331,666	331,666	-

[1] The net change other reflected above includes those options that have expired as well as options issued during the year under review and have been traded on market.

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30.6.05
Parent Entity Directors					
Peter Marks	205,001	-	-	70,000	275,001
Jeremy Cooper	225,001	-	-	30,000	255,001
Ross Horley	-	-	-	3,378,712	3,378,712
Martin Soust	148,250	-	-	274,322	422,572
Henry Pinskier	325,000	-	-	210,000	535,000
John Parker	-	-	-	161,290	161,290
	903,252	-	-	4,124,324	5,027,576
Specified Executives					
Phillip Hains	10,000	-	-	-	10,000
Anthony Filippis	-	-	-	-	-
John Petrou	-	-	-	-	-
Catriona King	-	-	-	-	-
Billy Chan	-	-	-	25,161	25,161
	10,000	-	-	25,161	35,161

[1] Net change other refers to shares purchased or sold during the financial year. Ross Horley received 3,378,712 shares as a result of the acquisition of Medic Vision (refer note 17(d) for acquisition of Medic Vision).

21. DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

(h) Remuneration Practices

The Company has not adopted a Remuneration Committee as it has deemed the Full Board of the Company a more efficient mechanism to administer the Company's remuneration policy than a committee.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance and subject to approval by Shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

The Company's Remuneration Policy is not directly based on its financial performance, rather on industry practice, given the Company operates in the biotechnology industry and the Company has historically recorded losses.

The Company's primary objective is to acquire and commercialise later stage Australian R&D projects in the medical devices and diagnostics markets.

The Company envisages its performance in terms of earnings will remain negative for the next 12 months whilst the Company develops its investments which are in their early stage and currently expanding. Shareholder wealth reflects the speculative and volatile biotechnology market sector. This pattern is indicative of the Company's performance over the past 4 years.

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
22. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of the Parent Entity for:				
- an audit or review of the financial report	48,399	16,022	48,399	16,022
- other services - taxation	10,200	-	10,200	-
- other services - grant audit	-	1,500	-	-
	58,599	17,522	58,599	16,022

23. RELATED PARTY DISCLOSURES

Directors

The Directors of the Company during the financial year were:
Mr Peter Marks appointed as Director and Chairman on 18 December 2001
Mr Jeremy Cooper appointed as Director on 18 December 2001
Mr Ross Horley appointed as Director of Premier Bionics and CEO of Medic Vision on 10 May 2005
Dr Martin Soust appointed as Director on 18 March 2002
Dr Henry Pinskier appointed as Director on 18 December 2001
Mr John Parker appointed as Director on 31 March 2004

	Consolidated		Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
Controlled entities				
Loan - Medic Vision	-	-	747,365	-
Loan - Pulmosonix	-	-	493,278	20,965
Provision for non-recovery of Loan	-	-	(493,278)	-
	-	-	747,365	20,965

Loan made unsecured and no interest payable. The Parent Entity can demand payment of the loan at any time.

23. RELATED PARTY DISCLOSURES (CONTINUED)

Ultimate Parent

Premier Bionics is the ultimate parent entity.

Director-related entity transactions

Dr Soust is a Director and Shareholder of Benelle Pty Ltd ACN 099 567 727 ("Benelle"). Benelle held 3.06% of the issued capital of Pulmosonix at 30 June 2004, being the company in which Premier Bionics invested. Dr Soust had a beneficial interest in 46% of the Pulmosonix shares held by Benelle. Benelle's interest in Pulmosonix was acquired in December 2004.

In the year ending 30 June 2005, Premier Bionics acquired the minority shareholders interest in Pulmosonix. Benelle was issued 236,522 shares and 236,522 options expiring on 24 December 2006 at an exercise price of $0.20. 118,261 shares and 118,261 options are escrowed until 3 December 2005. 118,261 shares and 118,261 options are escrowed until 3 June 2006. Acquisition of the Benelle interest resulted in contributed equity increasing by $134,452, investment in controlled entity increasing by $134,452 in the parent entity accounts, and goodwill on consolidation increasing by $135,138.

24. SEGMENT INFORMATION

Primary Reportable Segments - Business

2004

	Research & Development $	Simulators $	Eliminations $	Consolidated $
Segment Revenue - external sales/revenue	114,212	-	-	114,212
Unallocated Revenue				128,018
Consolidated Revenue				242,230
Segment Result	(822,933)	-	-	(822,933)
Add Unallocated Revenue				128,018
Less Unallocated Expenses				(751,396)
Profit from Ordinary Activities before Income Tax				(1,446,311)
Income Tax Expense				-
Profit from Ordinary Activities after Income Tax				(1,446,311)
Segment Assets	469,034	-	-	469,034
Unallocated Assets				2,824,039
Consolidated Total Assets				3,293,073
Segment Liabilities	237,435	-	(20,965)	216,470
Unallocated Liabilities				86,426
Consolidated Total Liabilities				302,896
Acquisition of non-current assets by Segment:				
- Assets	-	-	-	19,244
- Depreciation	8,336	-	-	12,147
- Other non-cash expenses	-	-	-	258,343

24. SEGMENT INFORMATION (CONTINUED)

Primary Reportable Segments - Business

2005

	Research & Development $	Simulators $	Eliminations $	Consolidated $
Segment Revenue - external sales/revenue	735,612	715,214	-	1,450,826
Unallocated Revenue				176,696
Consolidated Revenue				1,627,522
Segment Result	(1,490,500)	(169,069)	58,500	(1,601,069)
Add Unallocated Revenue				176,696
Less Unallocated Expenses				(2,769,705)
Profit from Ordinary Activities before Income Tax				(4,194,078)
Income Tax Expense				-
Profit from Ordinary Activities after Income Tax				(4,194,078)
Segment Assets	469,290	1,130,501	-	1,599,791
Unallocated Assets				5,487,250
Consolidated Total Assets				7,087,041
Segment Liabilities	885,849	1,637,961	(1,240,644)	1,283,166
Unallocated Liabilities				162,455
Consolidated Total Liabilities				1,445,621
Acquisition of non-current assets by Segment:				
- Assets	65,163	118,394	-	254,611
- Depreciation	13,998	7,269	-	36,501
- Other non-cash expenses	-	-	-	2,093,638

The company's business segments (primary segments) are:

- Research and Development - research and development into products such as PulmoScreen, COPD and Baby AirwayClear.
- Simulators - medical simulators and consulting services

Secondary Reportable Segments - Geographical

The consolidated entity operates in one geographical location, being Australia.

25. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at balance date, are as follows:

	Floating Interest Rate	Fixed Interest Maturing in 1 year or less	Fixed Interest Maturing in 1-5 years	Non-Interest bearing	Total	Average Interest Rate
	$	$	$	$	$	%
2005						
FINANCIAL ASSETS						
Cash	3,429,467	-	-	-	3,429,467	4.72%
Receivables	-	-	-	680,463	680,463	-
	3,429,467	-	-	680,463	4,109,930	
FINANCIAL LIABILITIES						
Payables	-	-	-	1,376,877	1,376,877	-
Provisions	-	-	-	68,744	68.744	-
	-	-	-	1,445,621	1,445,621	
Net Financial Assets	3,429,467	-	-	(765,158)	2,664,309	
2004						
FINANCIAL ASSETS						
Cash	2,831,995	-	-	-	2,831,995	4.88%
Receivables	-	-	-	37,911	37,911	-
	2,831,995	-	-	37,911	2,869,906	
FINANCIAL LIABILITIES						
Payables	-	-	-	302,896	302,896	-
	-	-	-	302,896	302,896	
Net Financial Assets	2,831,995	-	-	(264,985)	2,567,010	

(b) Credit risk

Financial assets, which potentially expose the consolidated entity to concentrations of credit risk, consist primarily of cash and receivables. The consolidated entity's cash and cash equivalents are placed with high credit quality financial institutions and receivables are presented net of any allowances for estimated doubtful receivables. Accordingly, the Directors believe the consolidated entity has no significant concentration of credit risk.

(c) Net Fair Values of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements and presented above represents their respective net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of the other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

26. CONTINGENT LIABILITIES

Premier Bionics has an obligation as part of its acquisition of Medic Vision to issue to the previous shareholders of Medic Vision a further $1,000,000 in equity, made up as follows:

- $850,000 Premier Bionics shares; and
- $150,000 Premier Bionics options. ("Final Tranche")

The Share price will be equal to the average ASX closing price of the Premier Bionics Shares for the 10 trading days immediately preceding the date on which Premier Bionics becomes liable to issue the Final Tranche.

The Option price will be equal to the average ASX closing price of the Premier Bionics Options for the 10 trading days immediately preceding the date on which Premier Bionics becomes liable to issue the Final Tranche.

The Final Tranche is issuable when Medic Vision reaches a milestone of obtaining a binding sales order on commercial terms for the purchase of one (1) Epidural Trainer. If the milestone is not reached by 31 December 2005, the entitlement to the Final Tranche will lapse.

Premier Bionics also has a obligation to issue Ross Horley with 500,000 listed options exercisable at $0.20 on or before 24 December 2006 if he remains in his position for 12 months.

27. COMPANY DETAILS

The registered office of the Company is Suite 2, 1233 High Street, Armadale, Victoria, 3143.
The principal office of the Company is Suite 1, 261 Wattletree Road, Malvern, Vic, 3144.

Premier Bionics is a public company limited by shares, and incorporated and domiciled in Australia.
Premier Bionics is the ultimate parent entity.

Directors' Declaration

Year ended 30 June 2005

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 56, are in accordance with the Corporations Act 2001 and:
   i. comply with Accounting Standards and the Corporations Regulations 2001; and
   ii. give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity.
2. the Executive Chairman and Chief Finance Officer have declared that:
   i. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   ii. the financial statements and notes for the financial year comply with the Accounting Standards; and
   iii. the financial statements and notes for the financial year give a true and fair view.
3. 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.

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

Peter Marks
Executive Chairman
Melbourne, 29 September 2005

A Member Firm of PKF International

PKF

Chartered Accountants
& Business Advisers

Level 11, CGU Tower
485 La Trobe Street
Melbourne VIC 3000

Tel: (03) 9603 1700
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INDEPENDENT AUDIT REPORT
TO MEMBERS OF PREMIER BIONICS LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for Premier Bionics Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit Approach

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

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

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

(a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

(b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Audit Opinion

In our opinion, the financial report of Premier Bionics Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005, and of their performance for the year ended on that date, and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PKF

PKF
Chartered Accountants

29 September 2005
Melbourne

David Garvey

D J Garvey
Partner

Shareholder Information

19 September 2005

Number of Holders of Equity Securities

Ordinary Shares

- 49,945,924 fully paid ordinary shares are held by 710 individual shareholders. 894,949 fully paid ordinary shares are escrowed until 3 December 2005 and 894,949 fully paid ordinary shares are escrowed until 3 June 2006.

All ordinary shares carry one vote per share.

Options

- 32,424,540 options:
  - 30,569,540 options exercisable on or before 24 December 2006 at $0.20 are held by 395 individual shareholders. 1,160,484 options are escrowed until 3 December 2005 and 1,160,484 options are escrowed until 3 June 2006.
  - 500,000 options exercisable between 4 May 2007 and 3 May 2009 at an exercise price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2007 are held by 1 individual shareholder.
  - 500,000 options exercisable between 4 May 2008 and 3 May 2010 at an exercise price calculated at a 10% discount to the 5 day Volume Weighted Average Price prior to 4 May 2008 are held by 1 individual shareholder.
  - 425,000 options exercisable on or before 24 December 2006 at $0.30 are held by 2 individual shareholders.
  - 400,000 options exercisable on or before 30 September 2006 at $0.30 are held by 4 individual shareholders.
  - 30,000 options exercisable on or before 30 September 2006 at $0.50 are held by 1 individual shareholder.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

Distribution of Holders in Each Class of Equity Securities

	Fully paid Ordinary Shares
1 – 1,000	13
1,001 – 5,000	70
5,001 – 10,000	135
10,001 – 100,000	409
100,001 – and over	83
	710
Number of holders of less than a marketable parcel	19

	Listed Options exercisable on or before 24 December 2006 at $0.20
1 – 1,000	4
1,001 – 5,000	31
5,001 – 10,000	130
10,001 – 100,000	165
100,001 – and over	65
	395

Twenty Largest Holders of Quoted Securities

		Fully paid ordinary shares	
	Shareholder	Number	%
1	Ross Horley	3,378,712	6.76
2	Peregrine Corporate Ltd	3,179,708	6.37
3	AMN Nominees Pty Ltd	2,633,250	5.27
4	Peter Brian Byass	2,249,500	4.50
5	Monash Investment Holdings Pty Ltd	1,169,826	2.34
6	Mause Limited	866,055	1.73
7	JP Morgan Nominees Australia	780,852	1.56
8	I E C Investments Pty Ltd	774,944	1.55
9	Starcat Investments Pty Ltd	741,936	1.49
10	Tangiblefuture Inc	703,765	1.41
11	Carapace Pty Ltd	587,205	1.18
12	Jagen Nominees Pty Ltd	500,000	1.00
13	Stewart Vesner	485,636	0.97
14	Sakura Investments Pty Ltd	483,000	0.97
15	Louis Detata	400,000	0.80
16	James Matthew Maxwell	400,000	0.80
17	Alkon Pty Ltd	383,550	0.77
18	Bradjen Pty Ltd	379,305	0.76
19	David Skukan	350,000	0.70
20	Quatro Ltd	325,000	0.65
		20,772,244	41.58

Twenty Largest Holders of Quoted Securities (Continued)

Optionholder	Options exercisable Number	%
1 Peregrine Corporate Ltd	1,500,000	4.91
2 Monash Investment Holdings Pty Ltd	1,169,826	3.83
3 Darontack Pty Ltd,	1,073,524	3.51
4 AMN Nominees Pty Ltd	1,070,605	3.50
5 Martin Soust	1,000,000	3.27
6 Alkon Pty Ltd	914,620	2.99
7 Riveck Nominees Pty Ltd	780,000	2.55
8 Kate Emily Muschol	700,000	2.29
9 Stephen Howard	683,429	2.24
10 Steven Bodey	650,000	2.13
11 Pacific Union Nominees Pty Ltd	600,000	1.96
12 Elinora Investments Pty Ltd	551,605	1.80
13 Peter Ashley Marks	513,333	1.68
14 Man Holdings Pty Ltd	500,000	1.64
15 Louis Detata	500,000	1.64
16 Doy Paneth	470,000	1.54
17 IBA Corporate Business	435,000	1.42
18 Spencer Daley	422,000	1.38
19 Unus Investments Pty Ltd	400,000	1.31
20 Bond Street Custodians Ltd	400,000	1.31
	14,333,942	46.90

Unquoted equity Securities Holdings Greater Than 20%

–

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Law are:

Ross Horley T/F	
Medical Technology Trust	3,378,712 shares
Peregrine Corporate Ltd	3,695,563 shares
Yamarna Goldfields Ltd	2,633,250 shares

On-Market Buy-Back

On 6 June 2004 the Company announced an on-market buy-back of up to 1.45 million ordinary shares over the ensuing 12 months. Since this announcement the Company has acquired 685,649 shares at $255,475. On 8 April 2005 the on-market buy-back ceased.

Shareholder Enquiries

Shareholders with enquiries about their shareholdings should contact the Share Registry, Security Transfers Registrars
770 Canning Highway, Applecross, WA, 6153
Phone (08) 9315 2333
Fax (08) 9315 2233
Email registrar@securitytransfer.com.au

Change of Address, Change of Name, Consolidation of Shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes

Removal from the Annual Report Mailing List

Shareholders who do not wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

Tax File Numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

CHESS

(Clearing House Electronic Subregister System)
Shareholders wishing to move to uncertificated holdings under the Australian Stock Exchange CHESS system should contact their stockbroker.

Uncertificated Share Register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of your holding.

Corporate Directory

Directors

Mr Peter Marks
Executive Chairman

Mr Jeremy Cooper
Executive Director

Mr Ross Horley
Executive Director
of Premier Bionics and
Chief Executive Officer
of Medic Vision

Dr Martin Soust
Non-Executive Director

Dr Henry Pinskier
Non-Executive Director

Mr John Parker
Non-Executive Director

Secretary

Phillip Hains

Auditors

PKF
Level 11, CGU Tower
485 La Trobe Street
Melbourne Victoria 3000

Solicitors

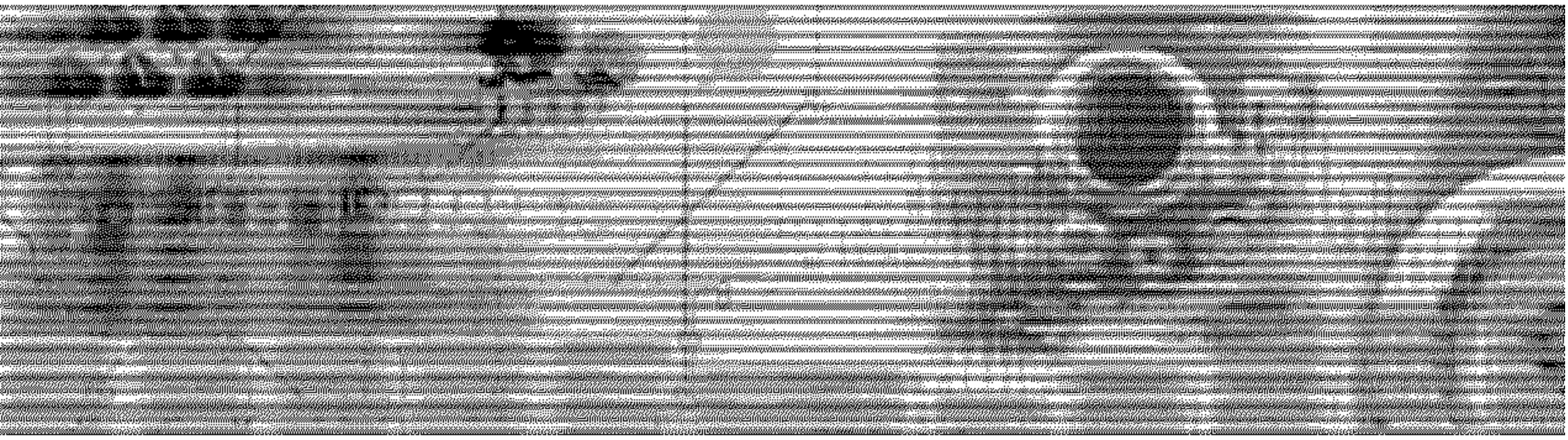
Oakley Thompson & Co Pty Ltd
Level 17, 500 Collins Street
Melbourne Victoria 3000

Share Registry

Security Transfers Registrars
770 Canning Highway
Applecross Western Australia 6153
Telephone (08) 9315 2333
Facsimile (08) 9315 2233
Email registrar@securitytransfer.com.au

Securities Quoted

Australian Stock Exchange
Code: PBI (shares) PBIO (options)



Principal Office

Suite 1
261 Wattletree Road
Malvern Victoria 3144
Telephone (03) 8508 8200
Facsimile (03) 9576 3055

Registered Office

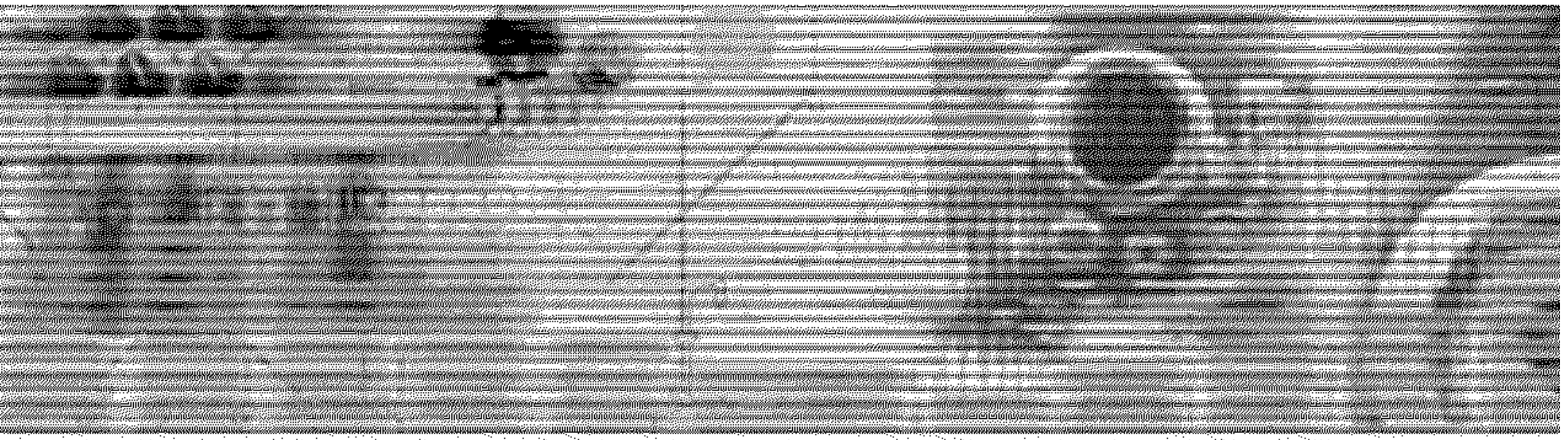
Suite 2, 1233 High Street
Armadale Victoria 3143
Telephone (03) 9824 8166
Facsimile (03) 9824 8161

Website

www.premierbionics.com.au

Premier Bionics Limited
ABN 67 099 084 143

PREMIER BIONICS
LIMITED
ABN 67 099 084 143



www.premierbionics.com.au