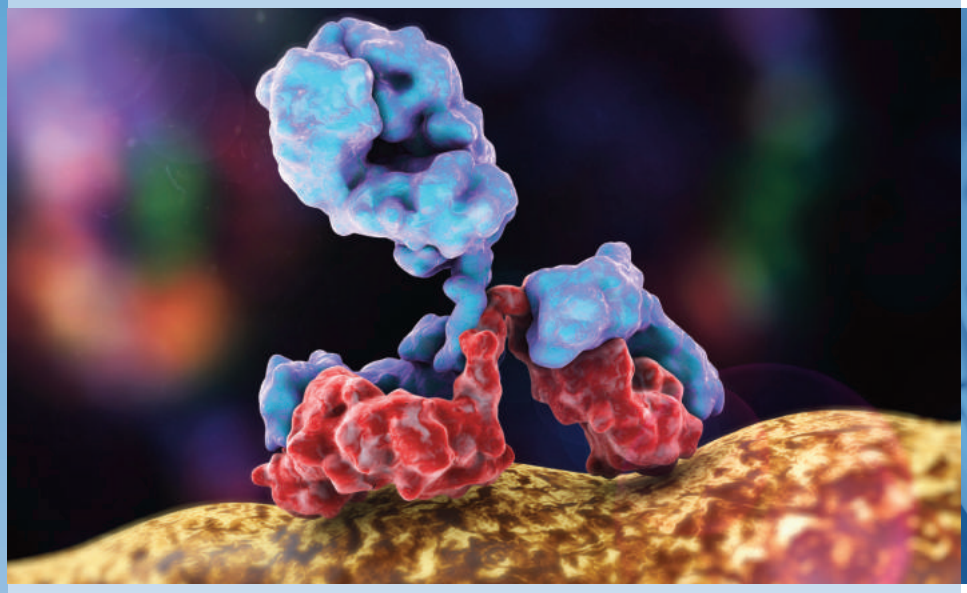
Proteomics International
LABORATORIES LTD



Annual Report 2016

2016

ACN 169 979 971

Corporate Directory

Directors
Mr Terry Sweet - Non-Executive Chairman
Dr Richard Lipscombe - Managing Director
Dr John Dunlop - Non-Executive Director

Company Secretary
Ms Karen Logan

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ASX Code: PIQ

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Accountants
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West Perth, Western Australia 6005

Bankers
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Perth, Western Australia 6000

Cover image: Antibody binding to cell surface.

Contents

Chairman's Letter

Dear Fellow Shareholder,

On behalf of the Directors of Proteomics International Laboratories (PILL), I am pleased to introduce the 2016 Annual Report, its second as a listed company.

As explained in the IPO Prospectus, proteomics is the study of proteins in living organisms. These proteins are the chemicals that activate and control every process of life. Information on which proteins are present in humans can lead to diagnostic tools, and to potential cures for disease. Your company is at the forefront in the science of proteomics, and was the first of only a handful of laboratories worldwide now accredited to carry out such work.

PILL's most advanced diagnostic discovery, PromarkerD, is based upon several proteins, which in combination form a powerful early diagnostic tool for Diabetic Kidney Disease. PromarkerD is now in the commercialisation phase, and the first licensing deals, each worth in excess of one million dollars have been completed with companies based in China and the Dominican Republic. This follows the grant of key patents in China and USA, and highlights the potential market for the test across the globe.

The above demonstrates a key part of PILL's business model, which is to discover, add value, then out-licence to others to finalise and distribute, but retain ownership and obtain royalties. This risk-mitigation strategy allows our expertise and resources – the ability to discover new tests - to be put to best use. PILL has now commenced work on two other important diseases with significant unmet medical needs, asbestosis and endometriosis.

Your company's discovery work is supported financially in part by PILL's fee-for-service analytical work, which is provided to pharmaceutical companies globally – this service has been growing steadily, and has significantly reduced cash-burn over the past year.

It gives me and the PILL team great satisfaction to see the progress being made towards commercial success, with the knowledge that PILL has the potential to dramatically improve millions of lives.

I look forward to meeting you at the AGM. In the meantime if you have any questions, please do not hesitate to contact me.

Yours sincerely

Terry Sweet
Chairman

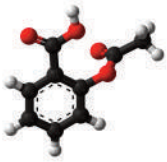
Window on the Science

Proteins in medicine

A revolution in medicine is well underway, underpinned by the desire for a deeper understanding of the basis of disease beyond that of classical pathology. Determining what is happening at the molecular level can guide treatment of diseases with precision. At its core, this is about proteins. The value of proteomics technology has made it a cornerstone tool to help understand the dynamics of disease in the ever-changing environment that is the living body.

Proteins are giant, complex biological molecules that carry out all the functions within living systems. They have precise modes of action in the human body. Protein drugs, termed *bio*pharmaceuticals, can provide highly complex functions that simple chemicals cannot perform and moreover, are less likely to cause adverse effects.

Drug developments - *comparison of size and complexity*

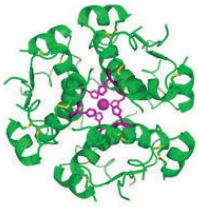


21 atoms

Aspirin

analgesic first derived from tree bark.
180 atomic mass units

Penny Farthing
20kg

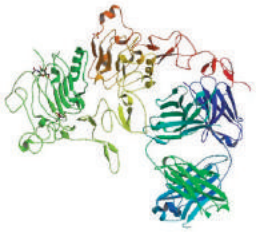


723 atoms

Insulin

peptide used in diabetes management.
5,808 atomic mass units
32 x aspirin

Mini Cooper
650kg



25,000 atoms

Herceptin®

engineered Monoclonal Antibody used for treating breast cancer and chronic kidney failure.
150,000 atomic mass units
850 x aspirin • 26 x insulin

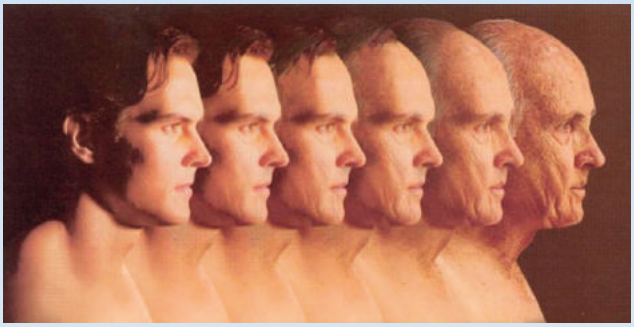
F18 Jet Fighter
17,000kg

The use of *bio*pharmaceuticals is now firmly established with over 20% of the overall drug market and numerous illnesses are currently being treated with protein based drugs. It is predictable that such drugs will soon dominate the pharmaceutical industry with some commentators suggesting that these protein drugs are one of the most elegant achievements of modern science[1].

One reason for this growth is the critical role of proteins at the centre of life. PILL's core business is proteins and the company is taking a central role in these developments by looking closely at the molecular basis of disease conditions and the proteins that the body makes. From this comes possible new drug targets and new diagnostic biomarkers.

These new biomarkers offer a more precise approach to diagnosis and could lead to great improvements in human health. PromarkerD is potentially a defining step in the early detection of diabetic kidney disease. The development of the intellectual property underpinning this test is a major achievement for PILL and establishes a platform that can lead to markers for other diseases.

1. http://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/rapid-growth-in-biopharma



What is proteomics?
Proteomics is the large scale study of proteins. Genomes are static - the genes we are born with are the genes we die with, but the protein make-up in our bodies differs from cell to cell and changes considerably over time.

Technology Snapshot

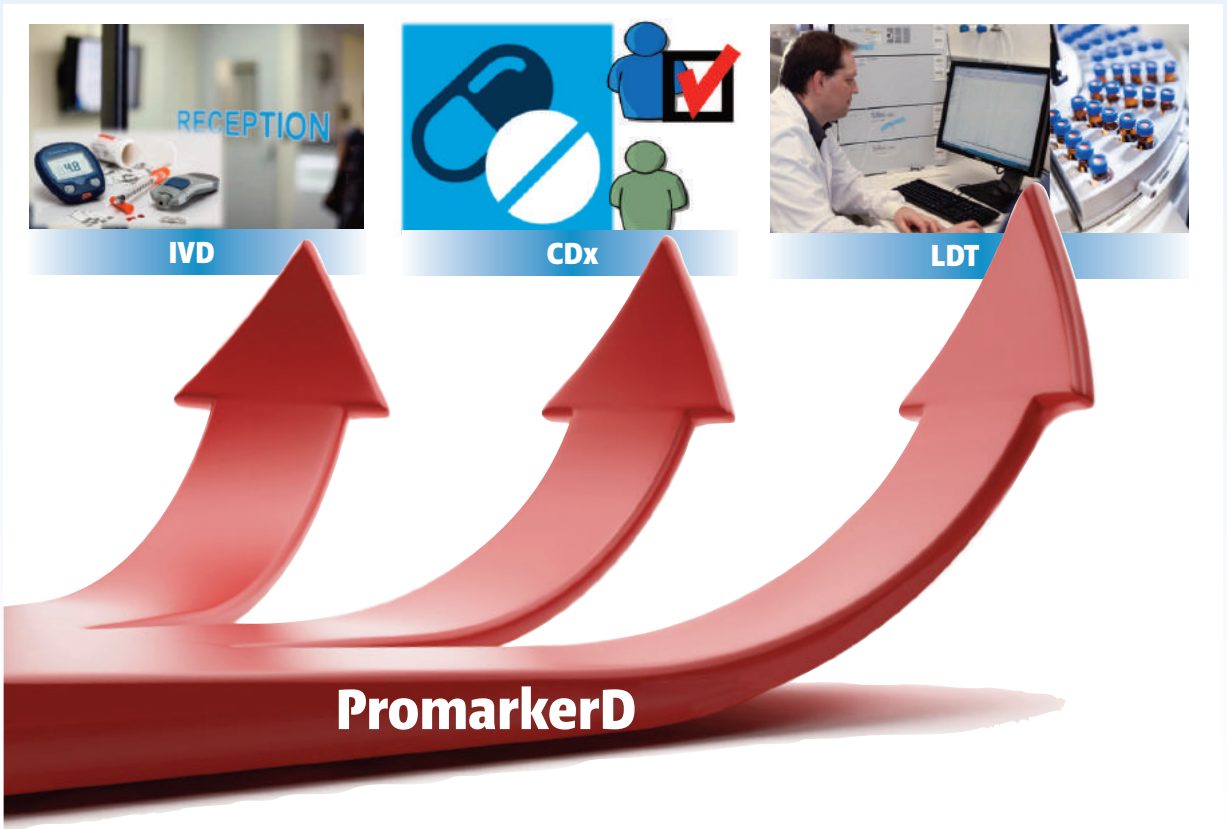
PromarkerD – commercialising a diagnostic test

PILL is strategically placed at the centre of a revolution in medicine. The company's technology is directed at resolving the medical challenges societies face around the world with a way of diagnosing diseases earlier and more accurately.

Proteomics offers a precise diagnosis because it looks directly at the proteins of the disease. The complexity of the protein "picture" is identified for each test done on a patient's blood sample, and the detection of only small amounts of these proteins is required to determine the patient's health. In the past year the company has brought its diagnostic test for diabetic kidney disease (DKD) to the commercialisation phase. This test (PromarkerD) is in the process of adaptation to take its place in clinical pathology practice. This method of diagnosing a particular disease could eventually supersede many of the less accurate and unreliable methods currently used. PromarkerD is built on a universally adaptable platform. The process of generating the biomarkers is the same for any disease, whether it be a cancer such as mesothelioma or prostate. The detection can be made early and accurately.

Progressing from a patented biomarker to clinical practice can be achieved by two established routes. The end user in both cases is the pathology laboratory that processes blood samples taken from the patient. In the first case it will be a large laboratory that will have specialist equipment (mass spectrometers) similar to PILL, and the process is developed by such a laboratory under licence. Known as a **laboratory developed test (LDT)**, the licensing laboratory will seek accreditation of the test.

In the second approach, a set of antibodies to the biomarker panel are developed. These are then used in an enzyme linked assay (ELISA), a technology which is well established and widely used around the world. This **in vitro diagnostic test (IVD)** can be used in parallel with the LDT.



The LDT is developed under the scrutiny of regulatory authorities. PILL is aiming at USA standards and all its laboratory end users will meet standards such as the USA's Clinical Laboratory Improvement Amendments (CLIA). The IVD is being developed for the market in compliance with regulatory standards (USA or China Food and Drug Administrations or CE Mark in Europe).

With these analytical tests available, doctors may be able to both diagnose Diabetic Kidney Disease early, and also monitor a patient's response to a drug or other therapy – the third route to market.

In parallel, PILL also sees a valuable use for PromarkerD in monitoring a patient's drug regime following diagnosis. This **Companion Diagnostic Test (CDx)** will thus provide clinicians the means to better manage their patients but may go further as a valuable tool in clinical trials of new medicines. Not all new medicines work for every one and failures occur. If a test can predict which patients respond well or negatively, there can still be a successful outcome when a drug is paired with an accompanying companion diagnostic test`.

These same end points and routes to market would be the platforms for new **Promarker** diagnostic tests using protein based disease biomarkers being developed by PILL. This is the lesser known part of the revolution in medicine – accuracy of diagnosis and treatment.

Analytical Services – the value of accreditation

Contract research requests come from a wide range of sources and PILL serves the needs of pharmaceutical, biotechnology and life science companies and academic institutions across the world. PILL operates one of the few laboratories globally with the specialist ISO 17025 technical accreditation for the analysis of protein drugs and protein biomarkers.

Revenue from the analytical services division has grown year-on-year at 34%.

Synergy

PILL's business model uses its proprietary technology platform across these integrated areas, each massive growth markets: *Diagnostics* – disease biomarkers and personalised medicine; *Analytical services* – specialist contract research fee-for-service and; *Drug discovery* – therapeutic peptide drugs. In combination these areas offer, respectively, medium term products, near term cash flow, and blue sky potential by harnessing one complementary workflow centred on proteins.

Directors' Report

The Directors present their report on Proteomics International Laboratories Ltd (Company or PILL) and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2016.

DIRECTORS

The Directors of the Company in office during the financial year and until the date of this report are as follows:

A) Mr Terry Sweet (Non-Executive Chairman)
B) Dr Richard Lipscombe (Managing Director)
C) Dr John Dunlop (Non-Executive Director)
D) Dr Bill Parker (Non-Executive Director) (Resigned 30 June 2016)
E) Mr James Moses (Executive Director) (Appointed 16 October 2015, Resigned 30 June 2016)

The Directors were appointed to the Company on 9 June 2014 unless otherwise stated.

OPERATING RESULT

The operating result for the year was:

	CONSOLIDATED	
	2016 $	2015 $
Loss before income tax	**(1,328,456)**	**(1,130,971)**
Income tax (expense)/Currency differences	-	(18,229)
Loss for the year	**(1,328,456)**	**(1,149,201)**

DIVIDENDS

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

ISSUED CAPITAL

50,604,635 fully paid ordinary shares (ASX: PIQ) and 15,732,181 listed options (ASX: PIQO) exercisable at $0.20 each on or before 31 March 2018 were on issue as at 30 June 2016.

Review of Operations

Principal Activities

PILL's business model sees its proprietary proteomics-based technology platform used in three synergistic areas; diagnostics, analytical services and therapeutic drug discovery. In the diagnostic stream, there has been significant progress commercialising the company's PromarkerD test for diabetic kidney disease. Work is also underway to find biomarkers that can be used to diagnose other conditions, including endometriosis and mesothelioma, with a simple blood test. The analytics stream has seen strong traction in contract analytical services, led by growth in demand for testing of biosimilars, or generic protein drugs. A therapeutic drug discovery program has also begun, targeting the discovery of new analgesic (painkilling) and antibiotics drug compounds from animal venom.

DIAGNOSTICS

PromarkerD commercialisation progress

PILL continues to focus on the commercialisation of PromarkerD, the world's first proteomics-derived predictive and diagnostic test for diabetic kidney disease. This unique test uses protein biomarkers in the blood to provide an early detection of the onset of diabetic kidney disease, a condition that affects approximately one-third of adult diabetics.

PILL is pursuing the adoption of PromarkerD through three complementary commercialisation pathways: a Laboratory Developed Test (LDT); standard clinical pathology in vitro Diagnostic Test (IVD); and Companion Diagnostic (CDx) [See *Technology Snapshot*]. Work has already begun on sourcing the components needed to build the in vitro diagnostic test kit, and discussions are underway with groups to develop the assay on their technology platforms.

In August 2016, PILL announced the first commercialisation deal for the PromarkerD assay. This agreement will see an exclusive licence granted to Omics Global Solution (Omics) and its sister company Macrotech Farmacéutica to distribute the diabetic kidney disease test in the Dominican Republic. Although the Dominican Republic has only 10.6 million people, the full extent of the present value of financial terms is in excess of US$1.5M for the first nine years of the agreement.

A key facet of the deal is that the kits will be manufactured in the US territory of Puerto Rico and thus, can come under the umbrella of the US FDA guidelines. This first agreement therefore has the potential to act as a stepping-stone into the US market, and to pave the way for other global markets including China, India and Japan.

The company has also forged an agreement with Chinese biopharmaceutical company Newsummit Biopharma to commercialise PromarkerD. This $1.3 million staged agreement with Newsummit provides for manufacture of the unique antibody components, development and validation of an ELISA kit and registration with the Chinese Federal Drug Administration. To date $200,000 in funding has been secured towards the Chinese development pathway, which is running in parallel to PILL's own development activities. This dual approach maximises the opportunity to develop a commercial test while producing kits tailored for their respective markets.

Promarker D patents

PILL has been granted patents for PromarkerD as a predictive and diagnostic test for diabetic kidney disease in the key markets of the USA and China, and also in Singapore and Australia. These patents represent key milestones in the development and commercialisation pathway for PromarkerD.

The US patent was granted in October 2015 and gives PILL access to the world's largest health care market. This patent is particularly significant as there is an increasing level of stringency being applied to diagnostic applications. PILL was delighted to have its protein-based patent granted as US Federal Courts and the Australian High Court have determined that DNA sequences can no longer be patented. PromarkerD patents in Australia and Singapore were granted in the same the quarter as the US patent.

The Chinese patent became effective May 2016 and paves the way for commercialisation of PromarkerD in the massive Chinese market, where the World Health Organisation estimates 120 million people have diabetes and are at risk of kidney disease.

All patents are valid until September 2031. PILL is also seeking patent protection for PromarkerD in other major global markets including Europe and India.

Patent Family 1: Biomarkers associated with pre-diabetes, diabetes and diabetes related conditions

Owner(s): Proteomics International Pty Ltd and University of Western Australia
"Biomarkers associated with pre-diabetes, diabetes and diabetes related conditions"
Derived from International Patent Application PCT/AU2011/001212

Country	Application No	Status	Filing Date [2]/Expiry Date[3]
Australia	2011305050	Granted	20 September 2011/ 20 September 2031
USA	14/277,371	Granted	20 September 2011/ 20 September 2031
China	201180053583.9	Granted	20 September 2011/ 20 September 2031
Singapore[4]	201180053583.9	Granted	20 September 2011/ 20 September 2031
Russia	201301859-3	Accepted[5]	20 September 2011/ 20 September 2031
European Community[6]	11826214.6	Pending	20 September 2011/ 20 September 2031
Brazil	BR 11 2013 006764 0	Pending	20 September 2011/ 20 September 2031
Canada	2,811,654	Pending	20 September 2011/ 20 September 2031
India	3012/DELNP/2013	Pending	20 September 2011/ 20 September 2031
Japan	2013-528474	Pending	20 September 2011/ 20 September 2031
Indonesia[7]	W00 2013 01585	Pending	20 September 2011/ 20 September 2031

[2] *Filing date of International Patent Application PCT/AU2011/001212*

[3] *Assumes patents are granted and standard 20-year term applies*

[4] *Solely owned by Proteomics International Pty Ltd*

[5] *The patent will proceed to grant if there is no opposition*

[6] *European Community Members include: Albania, Austria, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, United Kingdom, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Liechtenstein, Lithuania, Luxembourg, Latvia, Monaco, Former Yugoslav Republic of Macedonia, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Sweden, Slovenia, Slovakia, San Marino and Turkey.*

[7] *Solely owned by Proteomics International Pty Ltd*

PromarkerD clinical progress

These commercial developments are based upon PILL's original ground-breaking clinical study that followed 500 people with diabetes over four years. The study showed that approximately 10% of these patients have a rapid decline in kidney function (leading to dialysis or kidney transplant), and that PromarkerD can predict approximately 70% of these rapid decliners.

The initial results are being followed up in a second 500 person Western Australian study, and will be further assessed in patient groups in China, the Dominican Republic, and additional regional and ethnic populations as required. Key Opinion Leaders have been engaged to facilitate these studies, which require independent assessment and rigorous peer review. Once this process is complete the data will be published in the medical and scientific literature, which will provide an essential basis for future adoption of the test by the medical community.

Other diagnostics

PILL is currently expanding its diagnostics portfolio using the Promarker platform, and is investigating proteins associated with endometriosis, mesothelioma and other conditions. This is the first step in the development of simple blood tests for these diseases, which have the potential to replace current invasive diagnostic techniques.

Endometriosis occurs when the tissues that line the uterus spread and surround other organs. The condition causes chronic pain and infertility, and affects one in ten women in their reproductive years. On average, it takes 8.5 years for women to be diagnosed from their first symptoms. Currently the gold standard for detection is an invasive laparoscopy, where a camera is inserted into the pelvis through a small cut in the abdominal wall.

Mesothelioma is thought to kill 59,000 people annually according to the World Health Organisation. The average person is diagnosed with the asbestos-related cancer at age 74 and will survive for only one to two years after diagnosis.

Following careful vetting of opportunities PILL has secured access the clinical samples essential to search for biomarkers associated with these diseases. The endometriosis patients are from a private collection, while the mesothelioma study will be undertaken in collaboration with the University of Western Australia Medical School.

The Company continues to investigate potential biomarkers for Alzheimer's disease. Data analysis on the initial discovery phase is continuing and PILL is also exploring access to further clinical samples to extend the study.

PILL's technology can be used on any biological source, and the company has also recently mapped samples from the gastro-causing parasite Giardia to distinguish between infectious and non-infectious strains. This proof-of-concept study was conducted in collaboration with Murdoch University and on a fee-for-service basis with a leading US veterinary company. The next stage is to assess the commercial viability of the protein fingerprints discovered.

ANALYTICAL SERVICES

PILL has seen strong traction in the analytical services stream, with a 33% increase in revenues across the financial year. This growth rate continues a five-year average which exceeds 30% and was underpinned by new contracts to test biopharmaceutical drugs [See *Window on the Science*], including biologics (original protein drugs) and biosimilars (generic protein drugs).

ISO ACCREDITATION

PILL's laboratory was the first facility in the world to receive ISO 17025 laboratory accreditation for proteomics services. This accreditation, formally known as ISO/IEC 17025:2005, is assessed in Australia by NATA (the National Association of Testing Authorities) and recognises PILL's ability to consistently achieve technically valid results.

ISO 17025 certification was awarded to PILL in 2009 and is the most widely used laboratory standard for US Federal testing laboratories [Source: FDA Guidance for Industry - Submission of Laboratory Packages By Accredited Laboratories]. This elite standard has led to PILL having a reputation for technical excellence and is important to clients working in the area of drug discovery to help ensure they meet regulatory requirements.

PILL has one of the few global ISO 17025 laboratories accredited to accurately analyse the make-up of biosimilar drugs as being like-for-like with the brand name drugs they seek to replace. The sector is being driven by a desire to replicate the multi-billion dollar blockbuster biopharmaceutical drugs that are coming off patent, and the company has won a series of recent biosimilar testing contracts including for an allergic asthma drug (Europe), anti-cancer and multiple sclerosis drugs (India) and a tissue repair drug (Middle East).

DRUG DISCOVERY

The company has restarted its innovative therapeutic drug discovery program targeting new analgesic (painkilling) and antibiotic drug compounds. The program will test between 50 and 100 animal venoms with PILL's proprietary proteomics-based technology platform, which is significantly faster and more-cost-effective than the traditional drug discovery process.

'Lead' compounds identified in the program are expected to undergo testing in Q4, 2016, and the best molecules will enter pre-clinical development on the path towards clinical testing and potential commercialisation. This drug discovery stream is a low cost activity but offers a major growth opportunity for PILL long term, with the peptide therapeutics market currently estimated to be worth $17 billion.

BUSINESS DEVELOPMENT

PILL has maintained a strong business development focus throughout the year and continues to promote its disruptive proteomics-based services in the world's largest health care markets.

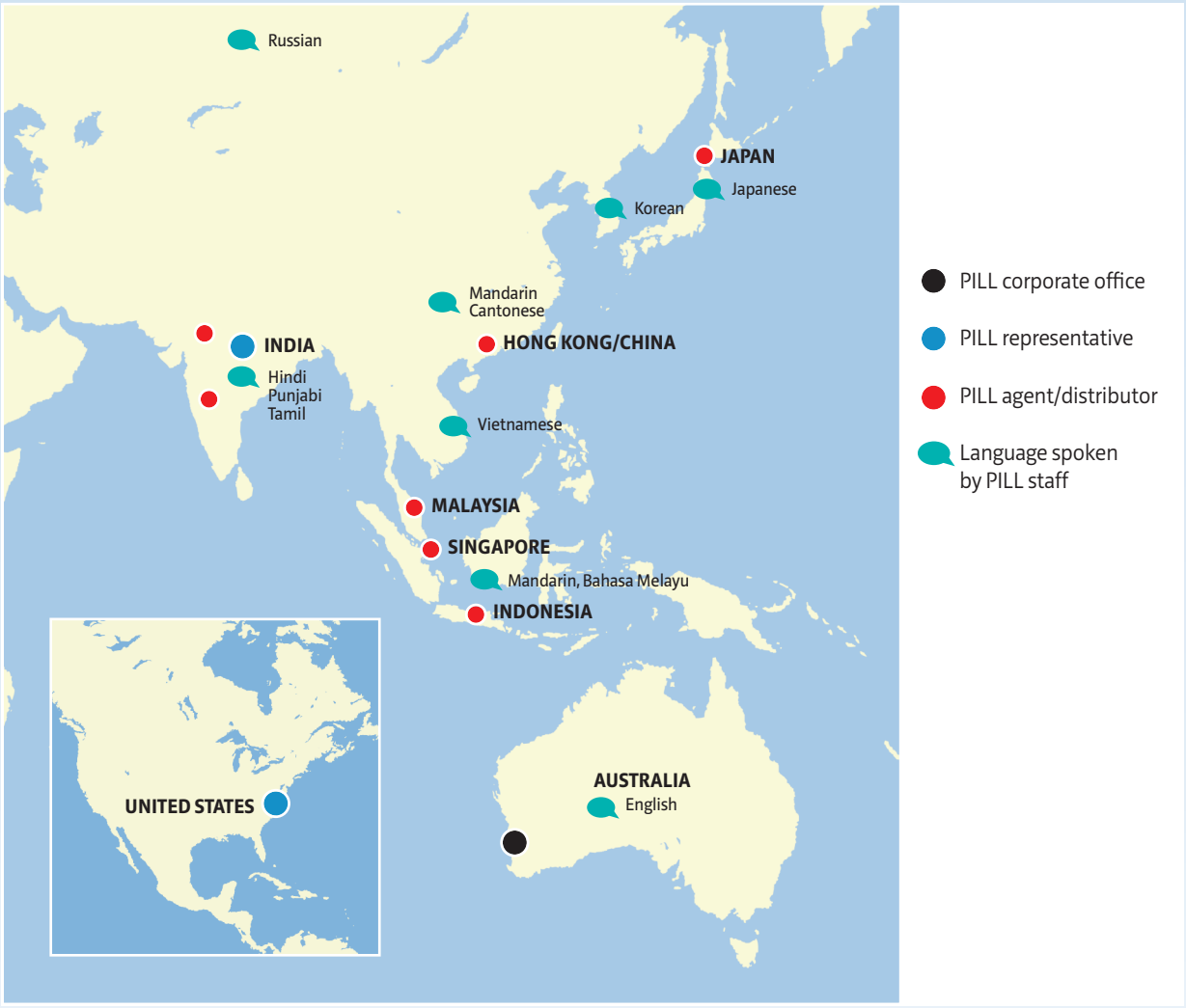
Expansion in Indian market

PILL has expanded its operations in the massive Indian biotechnology market, which is forecast to be worth US$100 billion by 2025. The company conducted a trade visit to India in April 2016 to drive uptake of biosimilars analytics and biomarker services, and was delighted with the interest shown in its expanded, quality testing portfolio. The visit included meeting key decision makers in the biotech centres of Mumbai, Pune, Ahmedabad, Hyderabad and Bangalore, and a series of invitation only events in Mumbai, Hyderabad and Bangalore hosted in conjunction with the Australian Trade Commissioner.

India represents a rapidly growing global biotech hub, and PILL visited and reviewed product pipelines and testing requirements with over a dozen major biopharmaceutical companies. Fee-for service work has already started to flow from this marketing initiative. A full-time sales and marketing manager based in Delhi has also been appointed to develop sales on the subcontinent.

Asia Pacific and United States visits

As part of its alliance with inVentiv Health, one of the world's largest contract research organisations (CRO), PILL conducted roadshows in the USA and APAC in March and June 2016. Both series targeted key bio-analytical sector decision makers at invitation only events in Boston, San Francisco and San Diego, and Taipei, Seoul and Tokyo. PILL presented its PromarkerD and companion diagnostics (CDx) technology alongside its biosimilars/biologics testing services. The company received strong levels of interest and will continue to seek to expand these areas of its business.



Corporate

PILL successfully completed a Non-renounceable Entitlement Issue to shareholders. The Entitlement Issue was proposed in the IPO prospectus as a 'loyalty option' for shareholders at the Record Date, 18 September 2015. Eligible shareholders were able to apply for 1 option for every 4 existing ordinary shares held at a price of $0.01 per option, exercisable on or before 31 March 2018 at an exercise price of $0.20 each. A total of 12,645,363 options were issued under the offer.

Industry events

The company actively marketed its diagnostics and analytical services businesses at a number of targeted industry events over the year including the Australian Peptide Conference, the Australasian Life Sciences and Healthcare Showcase in Seoul, South Korea, the International Biologics and Biosimilars Conference in Baltimore, USA, and the World Diabetes Congress in Vancouver, Canada.

WA Industry and Export Awards win

PILL won the Health and Biotechnology Export category of the Western Australian 2015 Industry and Export Awards in October 2015. The award recognises outstanding international success in medical, healthcare, and biotechnology fields for products, technology, equipment or services, and was presented to PILL for the international success of the company's analytical services business. PILL was also a finalist at the 2015 Australian Export Awards and the 2015 Western Australian Innovator of the Year Awards.

Company website

PILL launched a new company website, which is available at
www.proteomics.com.au or **www.proteomicsinternational.com**

Financial Position

The Group's financial report for the year ended 30 June 2016 includes the following significant items in its results:

- Revenue from ordinary activities encapsulates income from the Company's analytical services business and has maintained its growth trend showing a year on year increase of 34%.
- PILL's combined income is $1.43 million, which represents a year on year increase of 48%.
- The research and development tax incentive has been calculated as $572,269 and will be received in FY2017. The tax incentive from increased Research and Development activities forms a key element of PILL's operating strategy as the Company seeks to develop and further validate its lead diagnostic test, PromarkerD.
- The loss from ordinary activities is $1.33 million, which represents a year on year increase of 16% and comprises:
  (a) Operational expenses were inline with budget and reflect an increase in activity during the Company's first full year of operation as a listed entity.
  (b) Future performance based performance rights become payable if set milestones are achieved with, for example, the Directors believing a 75% probability is reflective of a significant deal occurring within two years for a diagnostics project (see *Likely Developments*). This has created a non-cash share based payments expense of $213,937 in 2016.

Material Business Risks

The Group has identified the below specific risks that could impact upon its future prospects.

Commercialisation risk

The Company is relying on its ability and that of its partners to develop and commercialise its products and services in order to create revenue. Any products or services developed by the Company will require extensive clinical testing, regulatory approval and significant marketing efforts before they can be sold and generate revenue. The Company's efforts to generate revenue may not succeed for a number of reasons including issues or delays in the development, testing, regulatory approval or marketing of these products or services.

In addition, developing direct sales, distribution and marketing capabilities will require the devotion of significant resources and require the Company to ensure compliance with all legal and regulatory requirements for sales, marketing and distribution.

A failure to successfully develop and commercialise these products and services could lead to a loss of opportunities and adversely impact on the Company's operating results and financial position. In addition, for those countries where the Company may commercialise its products or services through distributors or other third parties, the Company will rely heavily on the ability of its partners to effectively market and sell its products and services.

Further, even if the Company does achieve market commercialisation of any of its products and services, it may not be able to sustain it or otherwise achieve commercialisation to a degree that would support the ongoing viability of its operations.

Drug market risk

The research and development process typically takes from 10 to 15 years from discovery to commercial product launch. This process is conducted in various stages in order to test, along with other features, the effectiveness and safety of a product. There can be no assurance that any of these products and services will be proven safe or effective.

Accordingly, there is a risk at each stage of development that the Company will not achieve the goals of safety and/or effectiveness and that the Company will have to abandon a product.

Intellectual Property

The following are considered to be risks to the Company's intellectual property:

(i) General

The patent protection that the Company may obtain varies from product to product and country to country and may not be sufficient, including maintaining product exclusivity. Patent rights are also limited in time and do not always provide effective protection for products and services: competitors may successfully avoid patents through design innovation, the Company may not hold sufficient evidence of infringement to bring suit, or the infringement claim may not result in a decision that the rights are valid, enforceable or infringed.

Legislation or regulatory actions subsequent to the filing date of a patent application may affect what an applicant is entitled to claim in a pending application and may also affect whether a granted patent can be enforced in certain circumstances. Laws relating to biotechnology remain the subject of ongoing political controversy in some countries. The risk of changed laws affecting patent rights is generally considered greater for the biotechnology field than in other longer established fields.

(ii) Entitlement to Priority

In order for material disclosed in a patent application to be entitled to the priority date of a corresponding earlier filed application (e.g. a provisional application), there must be adequate support or disclosure of such material in the provisional application. Subject matter in a patent application that is not so disclosed in the earlier application is not entitled to the claim to priority, which may affect patentability of the subject invention, or the validity of any patent that may be granted.

(iii) Securing a Patent

The claims in a pending application cannot be considered predictive of claims in a granted patent. Examination in certain jurisdictions such as the USA and the European Patent Office are often more stringent than other countries and all pending claims may be subject to amendment during the pendency of an application. Thus, during pendency of any patent application, an applicant cannot reliably predict whether any claims will ultimately be granted or what the scope of any granted claims will be. Furthermore, whilst the scope of claims granted in one country may assist, it cannot be relied upon for predicting the scope of claims granted in another country

All patent searches are dependent on the accuracy and scope of the databases used for the search and, in particular, the manner in which information in the databases is indexed for searching purposes

Patent applications may have been filed by third parties based on an earlier priority date and the existence of such applications may not be known for up to about 18 months after they were filed. Such earlier-filed applications may constitute prior art that adversely affects patentability or claim scope of a patent matter listed herein. Given the timing of and the approach taken to the examination of patent applications, if any prior art in this 18-month period does exist, it is unlikely that it will be located in searches conducted by official Patent Offices

Delays may occur during pendency, due to unpredictable events that the application cannot control. The net effect of such delays may be to decrease the time from the date of patent grant to the end of the patent term and thus adversely affect the effective lifetime of enforceability of the patent

Patents and pending applications can be subject to opposition or other revocation proceedings, that vary from country to country, and which cannot be predicted in advance.

Reliance on key personnel

The Company's ability to operate successfully and manage its potential future growth depends significantly upon its ability to attract, retain and motivate highly-skilled and qualified research, technical, clinical, regulatory, sales, marketing, managerial and financial personnel. The competition for qualified employees in the life science industry is intense and there are a limited number of persons with the necessary skills and experience.

The Company's performance is substantially dependent on Dr Lipscombe and the other members of its senior management and key technical staff to continue to develop and manage the Company's operations. The loss of or the inability to recruit and retain high-calibre staff could have a material adverse effect on the Company. The Company also relies on the technical and management abilities of certain key Directors and employees, consultants and scientific advisers. The loss of any of these Directors, employees, consultants or scientific advisers could have an adverse effect on the business and its prospects.

Regulatory risk

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its shares. In addition, there is a risk that legal action may be taken against the Company in relation to commercial matters.

Funding risk

While the Company believes it will have sufficient funds to meet its operational requirements for the next 12 months, the Company may in the future seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources, joint ventures, collaborations with other life science companies, licensing arrangements, production sharing arrangements or other means.

The Company's capital requirements depend on numerous factors and, having regard to the early stage of development and the nature of its products and services, the Company is currently unable to precisely predict if, and what amount of, additional funds may be required. Factors, which may influence the Company's possible need for further capital, include such matters as:

- the costs and timing of seeking and obtaining regulatory approvals;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effects of competing product, clinical, technological and market developments; and
- the terms, timing and consideration, if any, of collaborative arrangements or licensing of products and services;

There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back development and research programmes as the case may be.

Insurance risk

The Company may not be able to maintain insurance for service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims. If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

Exchange rate risk

The Company is exposed to movements in foreign exchange rates. The Company does not hedge against movements in the exchange rate. However, significant changes in currencies may impact on the Company's margins and earnings adversely.

Dependence on Key Relationships

The Company currently has strategic business relationships with other organisations that it relies upon for key parts of its business, such as obtaining the use of the mass spectrometers, chromatography systems and other equipment vital to the Company's activities. The loss or impairment of any of these relationships could have a material adverse effect on the Company's results of operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.

Likely Developments

Licensing Deals and the Share Based Payments Expense

At admission to the Official List of ASX the Founding Directors received certain Performance Rights reflecting their belief that PILL could achieve a substantial near-term milestone in each area of its operations. These Performance Rights are fully described in Notes 13 and 20 of the Financial Statements, and in overview describe a potential:

A) $10 million joint venture agreement for the Analytical Services within 24 months of listing; and/or

B) $5 million sale and/or licensing of a Diagnostics project within 24 months of listing; and/or

C) $20 million sale and/or licensing of a Therapeutics project within 36 months of listing.

The Board re-assess the probability of successfully achieving these milestones at each reporting date and have determined (as of 30 June 2016) there is a:

A) 50% probability of achieving a $10 million Analytical Services joint venture by15 April 2017;

B) 75% probability of achieving a $5 million Diagnostics sale and/or licensing by15 April 2017;

C) 5% probability of achieving a $20 million Therapeutics sale and/or licensing by15 April 2018.

The potential for success in these areas is recorded as a mandatory cash expense, listed as "Share Based Payments Expense", in the Statement of Profit & Loss. The cumulative value of the expense at 30 June 2016 is $359,421. The Performance Rights are capped at $1 million.

PromarkerD Commercialisation

Diabetes is one of the largest global health emergencies. In 2015, the International Diabetes Federation estimates that 415 million people worldwide had diabetes and 12 percent of global health expenditure was spent on diabetes. According to the US Centre for Disease Control, 35 per cent of adults with diabetes have chronic kidney disease and 20 per cent will end up with kidney failure. Without effective prevention and management programmes, the impact will continue to increase worldwide.

The Prevalence of diabetes

	Total population[1]	Total diabetes cases[2,a]	Prevalence of diabetes %[2]	Diabetes related deaths[2]
Dominican Republic	10,649,000	708,100	8.1	6,015
Australia	24,309,000	1,573,500	6.3	6,342
Japan	126,324,000	10,556,000	7.6	61,076
USA	324,119,000	37,536,200	12.8	219,413
India	1,326,802,000	105,249,700	8.7	1,027,912
China	1,382,323,000	167,462,700	10.6	1,299,671

[1] *United Nations Statistics Division*
[2] *International Diabetes Foundation Diabetes Atlas Seventh Edition 2015*
[a] *Includes both diagnosed and undiagnosed diabetes cases*

The Company has recently signed its first substantial licensing agreement to distribute its PromarkerD assay in the Dominican Republic. As illustrated in the Table, the Dominican Republic has a far lower incidence of diabetes than the world's most populous countries – less than 1 million sufferers as compared to 180 million if the USA and China are combined. This first agreement therefore sets a benchmark for other global markets, which PILL will continue to target through its international team.

R&D Tax Incentive

The Company will continue to undertake new research and development activities to advance its Diagnostics programme, underpin its Analytical Services by creating new fee-for-service methods, and sustain its Drug Discovery programme.

Under the Federal R&D Tax Incentive these activities attract a cash rebate of 45% of eligible expenditure. In 2016 PILL has determined its R&D expenditure to be $1,270,252, which makes it eligible for a rebate of $572,629.

Diagnostic Biomarker Projects

The Lung Conditions project includes diseases such as chronic obstructive pulmonary disease (COPD) and asthma

- COPD accounted for approximately 3% of global disease burden and 5.5% of deaths worldwide (2011).
- Over 600,000 Australians had COPD in 2015.
- **For yearly healthcare costs for the patient and the healthcare system in 2011, this translated to over $70 bn in Europe; $65 bn in USA and $1bn in Australia.**
- 2.5 million Australians suffered from asthma in 2015.
- Lost productivity cost of asthma in Australia was over $1.1 bn in 2015.
- The cost to health system for asthma was $1.2 bn in 2015.

The Asbestos Related Conditions project will investigate diseases such as mesothelioma and asbestosis

- Globally, 107,000 people die from asbestos related diseases.
- Of this, 59,000 die from mesothelioma.
- Australian deaths from mesothelioma in 2014 exceeded 600.
- As only 16% of the world's population have banned asbestos products, the incidence is expected to rise.
- **The predicted global economic cost of mesothelioma, $2.4 bn, is likely to be understated.**
- In 2013, the global economic cost of mesothelioma was $1.6 billion.

Endometriosis project

- 1 in 10 women worldwide are affected by endometriosis during their reproductive ages (15-49).
- 30-55% of women with endometriosis may experience infertility.
- 30-66% of women with endometriosis have an increased risk of developing ovarian cancer.
- The cost of endometriosis per woman per year is the same as the cost of diabetes.
- **The cost to Australian society is $7.7 bn annually, with two thirds attributed to a loss of productivity.**

Parasites project

- Giardiasis affects 10% of the global population.
- **The global enteric diseases testing market will reach $3.6 bn by 2019.**
- Successful commercialization will generate royalty streams of 5% from net sales and 50% from sub-licences.

Timeline

	DIAGNOSTIC BIOMARKER PROJECT AREAS	Project start	Q1	Q2	Q3	Q4
		PRIORITY ACTIONS 2016/2017				
D1	Endometriosis - New project		Discovery	Discovery	Cohort Collection	Verification
D2	Parasites - Ongoing project		Verification	Verification	Validation	Validation
D3	Asbestos related conditions - New project			Discovery	Verification	Verification
D4	Lung conditions - New project				Discovery	Verification

YEAR 1
2016/2017

- Continue commercialisation of existing biomarkers
- Begin new biomarker projects
- Facilitate collaboration and partnerships to feed future biomarker pipeline

YEAR 2
2017/2018

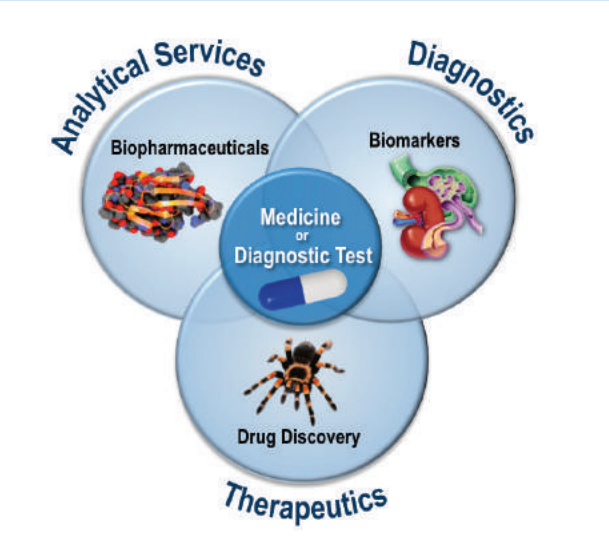
- Start pre-commercialisation Validation studies for biomarker projects from previous year
- Undertake Economic Health Benefits Studies (EHBS) for future projects
- Based on EHBS select biomarker projects from pipeline to commence Discovery phase

YEAR 3
2018/2019

- From previous year, continue pre-commercialisation Validation studies in a large cohort
- Begin preclinical studies for existing biomarkers
- Begin Discovery phase for new biomarker projects

Business Strategies

PILL is an ASX listed (ASX: PIQ) a life science company focused on the area of proteomics – the industrial scale study of the structure and function of proteins. In the last few years, proteins have become the drug class of choice for the pharmaceutical industry because of their intimate role in biological systems. The Company's business model uses its proprietary technology platform across three integrated areas, each massive growth markets:



1. Diagnostics: Biomarkers of disease and personalised medicine - focus on diabetic kidney disease.

By 2020 the biomarkers market is estimated to double in size to $45.6 billion, and the personalised medicine market is forecast to be worth over $149 billion[1].

2. Analytical services: Specialist contract research fee-for-service model – focus on biosimilars QC.

The global biosimilars market is expected to reach $6.2 billion by 2020, almost trebling from its 2015 level, as it seeks to replicate the multiple billion dollar blockbuster drugs that are coming off patent[2].

3. Drug discovery: Therapeutic peptide drug discovery - focus on painkillers and antibiotics.

The global peptide therapeutics market is currently estimated to be worth $18 billion and is expected to increase at over 10% per year during 2016-2025[3].

In combination these areas offer, respectively, medium term products, near term cash flow, and blue sky potential by harnessing one complementary workflow centred on proteins and peptides.

[1] *Grand View Research: Personalised Medicine report 2016*

[2] *Markets and Markets: Biosimilars market report 2015*

[3] *Future Market Insights: Peptide Therapeutics report 2016*

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 18 August 2016 the Company announced the first commercialisation deal for its PromarkerD assay. This agreement will see an exclusive licence granted to Omics Global Solution to manufacture the test kit in the US territory of Puerto Rico, and for its sister company Macrotech Farmacéutica to distribute the diabetic kidney disease test in the Dominican Republic. The full extent of the present value of financial terms is in excess of US$1.5M for the first nine years of the agreement.

On 24 August PILL announced it is expanding its diagnostics portfolio to investigate endometriosis. This is the first step in the development of a simple blood test for this disease, which has the potential to replace current invasive diagnostic techniques.

Endometriosis is where the tissues that line the uterus spread and surround other organs, it affects one in ten women during their reproductive years and is estimated to cost Australia $7.7 billion annually.

ENVIRONMENTAL REGULATIONS

The Company is subject to environmental regulation and other licences in connection with its research and development activities utilising the facilities at the Harry Perkins Institute. The Company complies with all relevant Federal, State and Local environmental regulations. The Board is not aware of any breach of applicable environmental regulations by the Company.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Company has assessed the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 and the Group is not currently subject to any reporting obligations.

GOVERNANCE

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

Proteomics corporate governance statement is available on the Company's website, in a section titled 'Corporate Governance': **http://www.proteomics.com.au/investors/corporate-governance/**

Board of Directors and Operational Team

BOARD OF DIRECTORS

Terry Sweet – Non-Executive Chairman
Richard Lipscombe – Managing Director
John Dunlop – Non-Executive

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's interest in securities of the Company		
			Shares	Options	Performance rights
Mr Terry Sweet FAICD 	Terry has been a Director of several listed companies over the past 30 years in both executive and non-executive capacities. These companies include XRF Scientific Ltd, where he was Managing Director for 4 years, Western Biotechnology Ltd, Heartlink Ltd, and Scientific Services Ltd. Originally trained as a chemist, his interests and expertise now lie in the area of development and supervision of a culture of Board integrity, commensurate with technology commercialisation. Terry is a Fellow of the Australian Institute of Company Directors and has been involved with the Company for 2 years.	Chairman	1,035,500	2,758,875	-
Dr Richard Lipscombe PhD (London), MA (Oxford) 	Richard, a co-founder of the Company, is a highly practised business manager and protein chemist expert in analysing bio-molecules using proteomics techniques. He has an extensive expertise in chemistry, immunology, mass spectrometry, peptide synthesis, high performance computing and robotics. Richard has international experience in both science and business gained over a 30-year period in Australia, USA and the UK, including work in hospital and academic laboratories and commercial organisations. He completed his chemistry degree (MA) at Oxford University, his PhD in immunology at London University and was a Post-Doctoral scientist (molecular immunology) in a large research institution in Australia (Telethon Kids Institute). After managing the Protein Analysis Facility at the University of Western Australia, he co-founded Proteomics International Pty Ltd in 2001. Richard is well published in peer review journals, and holder of several patents. Richard has been with the Company for over 15 years.	Managing Director	16,141,281	3,385,321	105
Dr John Dunlop PhD, BSc (UWA) 	John has been a director and founder of several ASX-Listed companies covering analytical laboratories, mineral exploration and finance including a founding directorship of the beta-carotene producer Western Biotechnology Limited (subsequently acquired by Hoffman-La-Roche). John's previous companies include Black Mountain Gold NL Menzies Court Ltd (now PBD Developments Limited), and Sheen Analytical Services (which listed as Scientific Services Ltd). John has been involved with the Company for 15 years.	Nil	5,305,188	375,000	28

Current and former directorships

Directors' Name	Current Directorships	Former Directorships (last 3 years)
Terry Sweet	Nil	Nil
Richard Lipscombe	Nil	Nil
John Dunlop	Nil	Nil

COMPANY SECRETARY

Ms Karen Logan BCom, Grad Dip AppCorpGov, ACIS, AGIA, F Fin, GAICD

Karen Logan is a Chartered Secretary with over 13 years' experience in assisting small to medium capitalised ASX-listed and unlisted companies with compliance, governance, financial reporting, capital raising, merger and acquisition, and IPO matters. She is presently the principal of a consulting firm and secretary of a number of ASX-listed companies, providing corporate and accounting services to those clients.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors	
	A	B
Mr Terry Sweet	9	9
Dr Richard Lipscombe	9	9
Dr John Dunlop	9	9
Dr Bill Parker +	9	9
Mr James Moses +	8	9

A = Number of meetings attended
B = Number of meetings held during the time the director held office
+ = Resigned as of 30 June 2016

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

Directors have determined that the Company is not of sufficient size to merit the establishing of separate sub-committees and all decisions are made by the full board.

OPERATIONAL TEAM

Business Development

The multi-lingual team is led by John C. Morrison who has over 35 years' experience in life sciences, biotechnology, and diagnostic industries. John has a degree in chemistry and an MBA from Boston University. He has held several management positions while at NEN Life Sciences and DuPont before focusing his last 15 years in Business Development at Perkin Elmer. John has successfully executed many licensing deals and several global acquisitions while in that role.

John is based in Massachusetts, USA and joined the Company on a consulting basis in May 2014. Upon listing John become head of PILL's global business development team. John is supported by Dr Pearl Tan, Dr Roop Judge Azevedo and Dr Javed Khan.

In April 2016 to support PILL's Indian growth strategy the Company appointed Ms Sreeja Sony as Regional Sales Manager for India. She has a Masters in Biotechnology and several years in biotech related sales, including six years specialising in proteomics. Based in Delhi, Sreeja is focused on growing the Company's biosimilars customer base.

Scientific team

PILL has established and maintained a highly qualified group of scientists with well balanced commercial and research expertise in the field of protein chemistry and mass spectrometry. Importantly, the scientific team model is integrated allowing staff to work on all aspects of the business concurrently on a cost efficient basis.

The scientific team has extensive experience with an array of specialised projects, instrumentation, administrative and research applications from world leading institutions.

Research & Development

The Company's Research Manager is Scott Bringans, PhD. Scott has 20 years experience in protein chemistry and mass spectrometry and leads the diagnostics program encompassing PromarkerD. Alongside this is the development of novel methods to add to PILL's technology platform and continually expand the fee-for-service and quality testing portfolio. Scott has been with the Company for 10 years and his core team members include Dr Tammy Casey, Dr Jason Ito, and Dr Kirsten Peters.

Analytical Services

Andreja Livk is the Contract Services Manager and also has more than 20 years of experience in protein and peptide chemistry, including characterisation of biopharmaceuticals. Andreja has extensive experience with a wide range of mass spectrometry systems, liquid chromatography and N-terminal sequencing. Andreja has been with the Company for nearly 15 years and is supported by Dr James Lui and Dr Tom Koudelka.

Regions represented by PILL's Scientific and Business Development teams

- PILL corporate office
- PILL representative
- PILL agent/distributor
- Language spoken by PILL staff

Remuneration Report

REMUNERATION REPORT (Audited)

The Remuneration Report is set out under the following main headings:

A Principles Used To Determine the Nature and Amount of Remuneration
B Remuneration Governance
C Details of Remuneration
D Directors Agreements
E Share-Based Compensation
F Additional information
G Additional disclosures relating to key management personnel
H Transactions with the key management personnel

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001. The remuneration arrangements detailed in this report are for Non-Executive and Executive Directors as follows:

- Mr Terry Sweet — Non-Executive Chairman (independent)
- Dr Richard Lipscombe — Managing Director
- Dr John Dunlop — Non-Executive Director
- Dr Bill Parker — Non-Executive Director (resigned 30 June 2016)
- Mr James Moses — Executive Director (resigned 30 June 2016)

The Board members above make up the total number of key management personnel for the purpose of this report.

A. Principles Used to Determine the Nature and Amount of Remuneration

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

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

The directors recognise that in the early stages of Company's listing on the ASX and in a period where the Company is making losses the objectives are to align the interests of the board with shareholders and to attract, motivate and retain high performing individuals. The board believes that this can be achieved through the following framework:

- The remuneration has a mix of fixed and "at risk" components through the salary and performance rights plan; and
- The remuneration has been set in consultation with key management personnel (other than the relevant director whose remuneration is being discussed) taking into account the size of the Company and its current position in the market.

The Company has not obtained independent advice on the remuneration policies and practices of the key management personnel or sought the assistance of an external consultant on the current market for similar roles, level of responsibility and performance of the Board. The Board may consider this in the future should the need arise.

Non-Executive Directors

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

The Non-Executive Directors' fees and payments have been set based on the experience of the members in the Company's field and level of activity required to be undertaken by the director in the management of the Company. The Chairman currently receives a fixed fee for his services as a Director.

The Company's Non-Executive Directors' remuneration package contains the following key elements:

- primary benefits – monthly director's fees; and
- rights – performance rights under the terms of the letter of appointment;

The Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 per annum and was approved by shareholders prior to listing on the ASX.

No retirement benefits are provided other than compulsory superannuation.

There are performance hurdles embedded in the rights and these conditions are set out below (Section E).

Non-Executive remuneration mix

The following table sets out the executives' remuneration mix:

Fixed $	"At risk" $	Total $
110,000	85,575	195,575

Executive Directors

The Company's Executive Directors' remuneration packages contain the following key elements:

- primary benefits – salary via an agreement.
- rights – performance rights under the terms of the agreement.

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

REMUNERATION REPORT (continued)

A service agreement is in place for Executive Directors which provide for a fixed base fee per annum. Base salary may be reviewed annually to ensure the level is competitive with the market. There is no guaranteed increase included in Executive Director contracts.

There are performance hurdles embedded in the rights and these conditions are set out below (Section E).

Executive remuneration mix

The following table sets out the executives' remuneration mix:

Fixed $	"At risk" $	Total $
245,000	128,362	373,362

CONSOLIDATED ENTITY PERFORMANCE AND LINK TO REMUNERATION

Given the nature, size and scale of the Group and its current position with regard to profitability and shares price the board has determined that a direct link between remuneration and the Company's performance is difficult to achieve and not realistic. The Board does however acknowledge that the performance rights have been structured so that the achievement of the hurdles will result in a substantial benefit to the Company and if they were achieved in the 2017 financial year would result in a profit before tax.

USE OF REMUNERATION CONSULTANTS

The Company has not engaged a remuneration consultant during the year.

VOTING AND COMMENTS MADE AT THE COMPANY'S ANNUAL GENERAL MEETING

The 2016 Remuneration Report was accepted by the shareholders. No comments were made.

B. Remuneration Governance

The Board is primarily responsible for making decisions and recommendations on:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to the executive director and non-executives including the performance hurdles;
- the remuneration levels of executives; and
- Non-Executive Director fees.

C. Details of Remuneration

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

2016	Short-term benefits Directors fees $	Salary $	Post-employment benefits Superannuation $	Other-long term benefits leave Long service & Annual leave $	Share based benefits Performance rights $	Total $	Percentage remuneration consisting of rights %	Performance related %
Non-Executive Director								
Terry Sweet	50,000	-	4,750	-	-	54,750	-	-
John Dunlop	30,000	-	2,850	-	34,229	67,079	51	-
Bill Parker1	30,000	-	2,850	-	51,346	84,196	61	-
Executive Directors								
Richard Lipscombe	-	165,000	15,675	15,825	128,362	324,862	39	-
James Moses[1,2]	-	80,000	-	8,666	-	88,666	-	-
TOTAL	**110,000**	**245,000**	**26,125**	**24,491**	**213,937**	**619,553**		

2015								
Non-Executive Director								
Terry Sweet	25,000	-	2,375	263	-	27,638	-	-
John Dunlop	15,000	-	1,425	263	34,916	51,604	68	-
Bill Parker	15,000	-	1,425	263	23,277	39,965	58	-
Executive Directors								
Richard Lipscombe	-	154,054	12,635	-	87,291	253,980	34	-
TOTAL	**55,000**	**154,054**	**17,860**	**789**	**145,484**	**373,187**		

1. *Resigned 30 June 2016.*
2. *Paid via Mandate Corporate*

There are no key management personnel of the Group other than the Directors.

REMUNERATION REPORT (continued)

D. Directors Agreements

On appointment, the Non-Executive Directors sign a letter of appointment with the Company which outlines the Board's policies and terms regarding their appointment including the remuneration relevant to the office of a director. A summary of each director terms is listed below:

Mr Terry Sweet *(Chairman)*

Particulars	Terms
Term of the agreement	No fixed term – subject to periodic re-election at the AGM
Base remuneration	$50,000
Superannuation	Statutory rate
Bonus payable	N/A
Termination of agreement	None specified

Dr John Dunlop *(Non-Executive Director)*

Particulars	Terms
Term of the agreement	No fixed term – subject to periodic re-election at the AGM
Base remuneration	$30,000 + performance rights (see section E)
Superannuation	Statutory rate
Bonus payable	N/A
Termination of agreement	None specified

Dr Bill Parker *(Non-Executive Director)*

Particulars	Terms
Term of the agreement	No fixed term – subject to periodic re-election at the AGM
Base remuneration	$30,000 + performance rights (see section E)
Superannuation	Statutory rate
Bonus payable	N/A
Termination of agreement	None specified

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

Dr Richard Lipscombe, *Managing Director*

Particulars	Terms
Term of the agreement	No fixed term
Base remuneration	$165,000 + performance rights (see section E)
Superannuation	Statutory rate
Bonus payable	At the absolute discretion of the Board
Leave entitlements	30 days annual leave and no long service leave
Termination of agreement	1 month (incapacitated / ill / unsound mind), 1 month (serious or persistent breaches), immediate (conviction / major criminal offence)

Mr James Moses, *Executive Director*

Particulars	Terms
Term of the agreement	No fixed term
Base remuneration	$80,000 (0.5 FTE)
Superannuation	Nil
Bonus payable	At the absolute discretion of the Board
Leave entitlements	15 days annual leave and no long service leave
Termination of agreement	1 month (incapacitated / ill / unsound mind), 1 month (serious or persistent breaches), immediate (conviction / major criminal offence)

Other long term benefits

Post-employment benefits include accrued long service leave, which is due and payable after every seven consecutive years of service for the non-executive directors as employees. No other termination benefits are payable.

E. Share-based Compensation

Rights

On 27 October 2014, the Company and the executive directors agreed the terms and conditions of a performance rights plan as follows:

Rights	Number of rights	Number of shares	Grant date	Hurdle 1	Hurdle 2	Cap on shares issued
A	50	5,000,000	27 Oct 14	Signed agreement within 2 years of listing	Receive $10m within 2 years of delivering hurdle 1	10,000,000
B	25	2,500,000	27 Oct 14	Signed agreement within 2 years of listing	Receive $5m within 2 years of delivering hurdle 1	10,000,000
C	100	10,000,000	27 Oct 14	Signed agreement within 2 years of listing	Receive $20m within 3 years of delivering hurdle 1	10,000,000

On 16 April 2015, the Company issued 175 performance rights to directors. No performance rights were issued in the 2016 Financial Year.
Set out below are summaries of rights granted by the Company to directors during the year:

Grant date	Expiry date[1]	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Vested during the year Number	Balance at end of the year Number	Fair Value at grant date [2]
27 Oct 2014	13 Apr 2019	50	-	-	-	50	571,429
27 Oct 2014	13 Apr 2019	25	-	-	-	25	285,714
27 Oct 2014	13 Apr 2020	100	-	-	-	100	1,142,857
Total		**175**	**-**	**-**	**-**	**175**	**2,000,000**

1. Based on the maximum period to expiry of hurdle 2.
2. Based on the maximum value available if all rights are achieved taking into account the cap on the number of shares issued

Rights Directors of PILL	Balance at the start of the year	Granted as compensation	Cancelled	Converted during the year	Balance at the end of the year	Unvested	Vested and convertible
Directors							
John Dunlop	28	-	-	-	28	28	-
Bill Parker	42	-	-	-	42	42	-
Richard Lipscombe	105	-	-	-	105	105	-

REMUNERATION REPORT (continued)

F. Additional information

While earning and shares price movements are not linked to remuneration, the performance of the Company over period since admission to the Official List of ASX is summarised below (note that EBITDA and non-cash calculations are not in strict compliance with AIFRS as the loss for the period is adjusted for tax, interest, depreciation, and the non-cash items fair value movement in derivatives and share based payments expense):

	2016 $
Total income	1,435,069
EBITDA and non-cash	(1,079,295)
EBIT	(1,295,949)
Profit/(Loss) after tax	(1,328,456)

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

	2016 $
Share price at listing date ($A)	0.20
Share price at financial year end ($A)	0.27
Total dividends declared (cents per share)	-
Basic loss per share (cents per share)	(0.03)

G. Additional disclosure relating to key management personnel

Shareholding

The number of shares in the Company held during the year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Director	Balance at the start of the year	Received as part of remuneration	Other changes during year[1]	Balance at the end of the year
2016				
Terry Sweet	1,035,500	-	-	1,035,500
Richard Lipscombe	16,141,281	-	-	16,141,281
John Dunlop	5,305,188	-	-	5,305,188
Bill Parker	6,277,594	-	-	6,277,594
James Moses	1,500,000	-	-	1,500,000

The number of options in the Company held during the year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Director	Balance at the start of the year	Received as part of remuneration	Other changes during year[1]	Balance at the end of the year
2016				
Terry Sweet	2,500,000	-	258,875	2,758,875
Richard Lipscombe	-	-	3,385,321	3,385,321
John Dunlop	-	-	375,000	375,000
Bill Parker	-	-	250,000	250,000
James Moses	-	-	374,500	374,500

1. The movements in the options relates to purchase of options via the Entitlement Issue dated 11 September 2015.

H. Transactions with key management personnel

The Company entered into the following transactions with key management personal during the year.

(i) Loans from directors

Director	Balance at the start of the year	Interest charged[1]	Interest not charged	Amounts forgiven	Balance at the end of the year	Highest balance of the loan during the year
2016						
Richard Lipscombe	428,212	29,975	-	-	428,212	428,212
John Dunlop	3,379	237	-	-	3,379	3,379
Bill Parker	10,300	721	-	-	10,300	10,300
	441,891	**30,932**	**-**	**-**	**441,891**	**441,891**

1. Interest payable is currently allocated to trade and other payables in the statement of financial position.

The terms of the loans are as follows:

Particulars	Terms
Principal amount ($A)	$441,891
Interest rate on loan ($A)	7% per annum
Period of loan	4 years from the date of listing on the ASX
Repayment of loan	In cash at any time (at the election of the Company) or at maturity in cash or in shares at the market price on the date of conversion.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option
8 April 2015	31 March 2018	20 cents	3,110,000
29 October 2015	31 March 2018	20 cents	12,645,363

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. The options are exercisable at any time before the expiry date.

Options that were converted into shares during the year was 23,182 (2015: 115).

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any subsidiary against a liability incurred as a Director or Officer to the extent permitted by the Corporations Act 2001. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	2016 $	2015 $
Non-audit services		
Related practices of BDO:		
Corporate finance services – Investigating accountants report	**-**	**9,300**
Taxation compliance services	**-**	**4,713**
	-	**14,012**

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

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

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

Terry Sweet
Chairman
Perth, Western Australia

Dated 26 August 2016

Auditor's Independence Declaration

DECLARATION OF INDEPENDENCE OF GLYN O'BRIEN TO THE DIRECTORS OF PROTEOMICS INTERNATIONAL LABORATORIES LTD

As lead auditor of Proteomics International Laboratories Ltd for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Proteomics International Laboratories Ltd and the entity it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2016

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Revenue from continuing operations			
- Services		816,845	608,394
Other Income			
- Grant income		-	49,035
- Interest income		34,129	-
- Other income		11,826	-
- Research and development tax incentive	2 (a)	572,269	309,010
Employment and labour expenses	2 (c)	(1,494,146)	(780,584)
Share based payments expense	13	(213,937)	(145,484)
Depreciation expense		(2,717)	(2,417)
Derivative liability at Fair value through profit and loss	10	-	(560,000)
Intellectual property maintenance expenses		(55,047)	(52,939)
Interest expense		(32,507)	(48,064)
Laboratory supplies		(253,784)	(92,393)
Professional fees		(223,645)	(119,614)
Travel and marketing expenses		(137,705)	(60,187)
Laboratory access fees		(90,920)	(180,893)
Realised loss in foreign currency translation		(5,677)	-
Other expenses		(253,440)	(54,836)
(Loss) before income tax		(1,328,456)	(1,130,971)
Income tax (expense) / benefit	3 (a)	-	(18,229)
(Loss) after income tax from continuing operations		(1,328,456)	(1,149,201)
Total comprehensive loss for the year		(1,328,456)	(1,149,201)
Total comprehensive loss attributable to equity holders of Proteomics International Laboratories Ltd		(1,328,456)	(1,149,201)
Basic loss per share for the year attributable to the members of Proteomics International Laboratories Ltd	24	(0.03)	(0.04)
Diluted loss per share		N/A	N/A

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	Consolidated Entity 2016 $	Consolidated Entity 2015 $
CURRENT ASSETS			
Cash and cash equivalents	4	582,256	2,004,974
Trade and other receivables	5	141,990	195,775
Other assets	6	876,871	321,478
TOTAL CURRENT ASSETS		1,601,117	2,522,227
NON-CURRENT ASSETS			
Property, plant and equipment	7	20,458	9,059
Intangible assets		1,012	1,012
TOTAL NON-CURRENT ASSETS		21,470	10,071
TOTAL ASSETS		1,622,587	2,532,298
CURRENT LIABILITIES			
Trade and other payables	8	341,604	275,024
Provisions	9	26,127	-
TOTAL CURRENT LIABILITIES		367,731	275,024
NON-CURRENT LIABILITIES			
Borrowings	11	441,891	441,891
Provisions	9	21,547	10,098
TOTAL NON-CURRENT LIABILITIES		463,438	451,989
TOTAL LIABILITIES		831,169	727,013
NET ASSETS		791,418	1,805,285
EQUITY			
Issued capital	12	4,048,816	4,044,180
Reserves	13	569,716	259,763
Accumulated losses	14	(3,827,114)	(2,498,658)
TOTAL EQUITY		791,418	1,805,285

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED ENTITY 30 JUNE 2016

	Notes	Issued Capital $	Share based Payments Reserves $	Accumulated losses $	Total $
Balance at 1 July 2015		4,044,180	259,763	(2,498,658)	1,805,285
Loss for the year		-	-	(1,328,456)	(1,328,456)
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		-	-	(1,328,456)	(1,328,456)
Transactions with Equity Holders in their capacity as Equity Holders					
Conversion of Options	12	4,636	-	-	4,636
Entitlement issue (net of costs)	13	-	96,016	-	96,016
Share based payments	13	-	213,937	-	213,937
		4,636	309,953	-	314,589
Balance as at 30 June 2016		**4,048,816**	**569,716**	**(3,827,114)**	**791,418**

CONSOLIDATED ENTITY 30 JUNE 2015

	Issued Capital $	Share based Payments Reserves $	Accumulated losses $	Total $
Balance at 1 July 2014	372,690	77,095	(1,349,457)	(899,672)
Loss for the year	-	-	(1,149,201)	(1,149,201)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(1,149,201)	(1,149,201)
Transactions with Equity Holders in their capacity as Equity Holders				
Equity Issued	4,777,595	-	-	4,777,595
Share issue costs	(1,106,105)	-	-	(1,106,105)
Share based payments	-	182,668	-	182,668
	3,671,490	182,668	-	3,854,158
Balance as at 30 June 2015	**4,044,180**	**259,763**	**(2,498,658)**	**1,805,285**

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Cash flows from operating activities			
Receipts from customers		876,779	662,562
Payments to suppliers and employees		(2,700,685)	(1,454,688)
Interest paid		(32,507)	(44,704)
Research and development tax incentive		313,030	111,366
Grant income		-	49,035
Income taxes paid		-	(12,649)
Interest received		34,129	11,815
Net cash outflow from operating activities	4	(1,509,254)	(677,263)
Cash flows from investing activities			
Payments for property, plant and equipment		(14,116)	-
Net cash outflow from investing activities		(14,116)	-
Cash flow from financing activities			
Proceeds from the issue of equity		-	3,050,001
Payment for share issue costs		-	(428,734)
Proceeds from the conversion of options		4,636	-
Proceeds from the entitlement issue (net of costs)		96,016	-
Proceeds from borrowings		-	221,130
Repayment of borrowings		-	(196,130)
Net cash inflow from financing activities		100,652	2,646,267
Cash and cash equivalents at the beginning of the financial year		2,004,974	35,971
Net increase (decrease) in cash and cash equivalents		(1,422,718)	1,969,003
Cash and cash equivalents at the end of the financial year	4	582,256	2,004,974

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report Proteomics International Laboratories Ltd (the **Company or PILL**) for the financial year ended 30 June 2016 was authorised for issue in accordance with a resolution of directors on 25 August 2016.

The Company is a public company limited by shares incorporated and domiciled in Australia whose shares are traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the director's report above.

(a) Basis of preparation

The principle accounting policies adopted for the preparation of financial statements are set out below. These accounting policies have been applied consistently to all periods presented unless otherwise stated.

(i) Statement of compliance

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. PILL is a for profit entity for the purpose of preparing the financial statements.

The financial statements of the Company also comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(ii) Basis of measurement

These financial statements have been prepared on an accruals basis and are based on historical cost modified by the fair value of selected financial liabilities for which the fair value basis for accounting is appropriate. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

(iii) Reporting convention

On 30 September 2014 Proteomics International Laboratories Ltd (PILL) entered into a transaction with the shareholders of Proteomics International Pty Ltd (PIPL) to acquire 100% of the share capital of PIPL in exchange for 26,250,000 shares. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as PILL was established for the sole purpose of acquiring PIPL by way of equity. The shareholders of PIPL received the same proportion of shares in PILL and at the date of the transaction PILL was a shell company (having been incorporated in June 2014 with 1 share on issue) and did not hold any assets or have any liabilities. PILL was consolidated into the group from 1 October 2014.

(iv) Going Concern

These financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. For the year ended 30 June 2016 the entity recorded a loss of ($1,328,456) and had net cash outflows from operating activities of ($1,509,254).

The ability of the entity to continue as a going concern is dependent on securing additional funding by way of equity or debt finance to continue to fund its operational and marketing activities. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report for the following reasons:

- The current business development prospects show an increase in activity and should lead to increasing ongoing revenue;
- The excess of current assets over current liabilities is $791,418;
- The R&D tax incentive of $572,269, which has been recorded in other receivables in the statement of financial position is expected to be received by October 2016;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

- The Directors remain committed to the long-term business plan that is contributing to improved results as the business services progress;

- The budgets and forecasts reviewed by the Directors for the next twelve months anticipate the business will continue to produce improved results.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(b) Segment Information

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period.

Operating segments are reported in a uniform manner which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

An operating segment is a component of the group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate to transactions with other group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The Board monitors the operations of the Company based on two segments, operational and corporate. The actual to budget items and a detailed profit and loss are reported to the board to assess the performance of the Group.

The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiary which represent the operational performance of the group's revenues and the research and development activities as well as the finance, treasury, compliance and funding elements of the Group.

(c) Estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involve a degree of judgement or complexity in the preparing the financial information. Facts and circumstances may come to light after the event which may have significantly varied the assessment used which result in a materially different value being recorded at the time of preparing these financial statements.

(i) Fair value

The fair value of financial instruments that are not traded in an active market is determined using a valuation technique. The Company uses its judgement in selecting the method, inputs and assumptions embedded in the calculation based on information available at the time of the transaction. The key assumptions in this financial report are as follows:

- Fair value of options issued – the Company has assessed the volatility within the Black Scholes model based on a list of biotech companies on the ASX. This is considered to be a reasonable basis for assessing the potential movements in the share price over time as they represent a selected industry average;

- Performance rights probability factor – the Company has undertaken an assessment of the likelihood of the rights vesting over the vesting period. This assessment taken into accounting, operational factors and success to date and restrictions in resourcing including funding. This is a best estimate of the possible outcome of the rights based on the available information to hand at the date of the report.

(ii) Deferred taxes

Deferred tax assets have not been brought to account as it is not considered probable that the Company will make taxable profits over the next 12 months. The Company will make a further assessment at the next reporting period.

(iii) Impairment of assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

The Company assesses the impairment of assets at each reporting date by evaluating conditions specific to the asset that may lead to impairment. The assessment of impairment is based on the best estimate of future cash flows available at the time of preparing the report. However, facts and circumstances may come to light in later periods which may change this assessment if these facts had been known at the time.

(d) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany Transactions

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(e) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. Revenue from services is recognised in the accounting period in which the services are rendered (on a percentage of completion method).

Interest income is recognised using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

(g) Government grants and tax incentives

Grants from the government are recognised at their fair value where it is probable that the grant will be received and the group will comply with all attached conditions.

A Company within the group is eligible to claim a special tax credit for its qualifying research and development activities. An amount is recognised as other income in the profit and loss for fifty percent of the annual eligible expenditure which is designed to match the benefit of the credit with the costs for which it is intended to compensate.

(h) Intangible assets

Research and development - Research expenditure and development expenditure that do not meet the recognition criteria set out below are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period:

- It is technically feasible to complete the asset so that it will be available for use;
- Management intends to complete the asset and use or sell it;
- There is an ability to use or sell the asset;
- It can be demonstrated how the asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the assert are available; and
- The expenditure attributable to the asset during its development can be reliably measured.

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(j) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented as current other payables in the statement of financial position for annual leave and provisions for long service leave.

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

Contributions to the defined contribution section of the group's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(i) Share based payments

Share-based payments compensation benefits are provided to employees via a performance rights issue.

The fair value of the rights granted under the agreement are recognised as a share based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which excludes the impact of any service and non-market conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimate of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

(k) Foreign currency translation and transactions

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(l) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

(i) When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

(ii) When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

(m) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(n) Cash and cash equivalents

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

(o) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(p) Property, plant and equipment

The group's accounting policy for plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives

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

Leasehold improvements and plant and equipment under finance lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

(q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(t) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(u) Issued Capital

Ordinary shares are classified as equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Goods and Services Tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(x) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(y) New Accounting Standards and Interpretations which are mandatory or early adopted

The following new standards and amendments to standards are applicable to the Company and are mandatory for the first time for the financial year beginning 1 July 2015. None of the standards and interpretations have affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.

The AASB has made amendments to the disclosures required by AASB 136 Impairment of Assets which:

- remove the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment; this disclosure was introduced with AASB 13 and will become applicable from 1 January 2013 unless the entity adopts the amendments made by AASB 2013-3 early;
- require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

The standard does not have any impact on the Company's financial statements as it did not recognise any impairment of its assets during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

AASB 2014-1 Part A: Annual improvements 2010-2012 and 2011-2013 cycles

The AASB has made the following amendments: AASB 1 – confirms that first-time adopters of AASs can adopt standards that are not yet mandatory, but do not have to do so; AASB 2 – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'; AASB 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in AASB 132 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date. Clarifies that AASB 3 does not apply to the accounting for the formation of any joint arrangement; AASB 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. AASB 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.; AASB 13 – clarifies that the portfolio exception in AASB 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of AASB 139 or AASB 9 ; AASB 116 and AASB 138 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts ; AASB 124 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors; AASB 140 – clarifies that AASB 140 and AASB 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination. The above standards do not have any material impact on the Company's financial statements.

(z) New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

AASB 9 Financial Instruments

These amendments must be applied for financial years commencing on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019. The Company does not currently have any hedging arrangements in place.

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. There will be no impact on the Company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

AASB 15 Revenue from Contracts with Customers

These amendments must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019.

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. Due to the recent release of this standard the Company has not yet made an assessment of the impact of this standard.

AASB 16 Leases

IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. Due to the recent release of this standard, the group has not yet made a detailed assessment of the impact of this standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

2. LOSS FOR THE YEAR

	Notes	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Loss for the full year included the following items:			
(a) R&D Tax incentive[(i)]		572,269	309,010
(b) Other expenses			
Unrealised foreign exchange losses / (gains)		580	(580)
Realised losses / (gains)		5,097	5,575
Derivative liability at fair value through profit and loss	10	-	560,000
(c) Employee and labour expenses			
Salary and wages		1,202,260	768,738
Other personnel costs		168,059	15
Superannuation		104,769	59,472
Increase/(decrease) in leave liabilities		19,058	(47,641)
		1,494,146	780,584
Shares based payment expenses		213,937	145,484
		1,708,083	926,068

(i) R&D Tax incentive

The Group undertakes a substantial amount of research in its daily activities. The Group has registered its activities and is able to claim a tax incentive (rebate) each year based on eligible research and development costs incurred during a financial year.

3. INCOME TAX EXPENSE / (BENEFIT)

(a) Income tax expense / (benefit)	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Current tax / (over provision in prior year)	-	18,229
Deferred tax	-	-
	-	18,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. INCOME TAX EXPENSE / (BENEFIT) (continued)	Consolidated Entity 2016	Consolidated Entity 2015
(b) Numerical reconciliation of income tax to prima facie tax	**$**	**$**
(Loss) from continuing operations	(1,328,456)	(1,130,971)
Tax at the Australian tax rate 28.5% (2015 30%)	(378,610)	(339,291)
Tax effect of the amounts that are not deductible / (taxable) in calculating taxable income		
- Share based payments	60,972	43,645
- Fair value movement on derivative	-	168,000
- Interest on convertible notes / GIC Interest	-	1,008
- Timing difference not previously recognised	-	(33,727)
- Research and development tax incentive	(163,097)	(92,703)
- Losses not recognised	-	47,061
- Withholding tax paid in overseas locations	6,514	18,229
- Reduction in loss for tax incentive	474,221	206,007
	-	18,229

(c) Tax losses

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

Australian losses	1,001,061	112,159
Potential tax benefit at 28.5% (2015 30%)	285,302	33,648

The tax benefits of the above deferred tax assets will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised
(ii) the Company continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in income tax legislation adversely affects the Company in utilising the benefits.

(d) Unrecognised temporary differences

Provisions	12,197	10,098
Accruals	19,056	53,563
Capital raising through equity	-	489,687
Tax losses	1,001,061	112,159
	1,032,314	665,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

4. RECONCILIATION OF CASH

	Notes	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Cash at bank		130,401	54,974
Deposits at call		451,855	1,950,000
Total cash and cash equivalents		582,256	2,004,974
(a) Reconciliation of loss after income tax to net cash flows from operating activities			
Loss for the year		(1,328,456)	(1,149,201)
Depreciation		2,717	2,417
Unrealised net foreign currency (gain)/losses	2	-	(580)
Fair value movement in derivative	10	-	560,000
Convertible note interest	11	-	3,360
Share and options based payments expense	13	213,937	145,484
(Increase) / decrease in traded and other debtors		53,785	(13,749)
(Increase) / decrease in other receivables		-	(79,000)
(Increase) / decrease in tax receivable		-	5,580
(Increase) / decrease in other assets		(555,393)	(161,584)
Increase / (decrease) in trade and other creditors		82,609	54,577
Increase / (decrease) in provisions		21,547	(44,567)
Net cash outflow from operating activities		(1,509,254)	(677,263)

(b) Non-cash financing and investing activities

(i) Issue of shares in exchange for options

On 8 April 2015, the Company issued a total of 828,952 fully paid ordinary shares PILL to the holders of options in Proteomics International Pty Ltd to facilitate the acquisition and ASX listing process. The agreement between parties was to exchange a fixed number of options for a fixed number of shares. A number of the options had previously been valued as they had been issued in relation to services provided by employees and the value has been transferred to issued capital ($77,095).

There were no issue of shares in exchange for options during the year ended 30 June 2016.

(ii) Conversion of Convertible Instruments

On 8 April 2015, the Company converted 560,000 convertible notes with a face value of $1 per note into 5,600,000 Shares. The agreement between parties was to convert the notes at a 50% discount to the IPO (once set), therefore the value of the transaction has been assessed as $1,120,000. In addition, the Company converted 25,000 convertible notes with a face value of $1 per note into 2,500,000 options in PILL exercisable at $0.20 each and expiring on 31 March 2018 (Options). The agreement between parties was to repay in cash at any time or on maturity issue a fixed number of Options. The instrument is considered to be a compound financial instrument where the total equity value as been assessed as $28,360.

There were no conversion of convertible instruments during the year ended 30 June 2016.

(iii) Issue of Shares and Options to Consultants

On 8 April 2015, the Company issued 152,500 Shares and 610,000 Options to consultants that assisted in the ASX listing process. The total value attributed to the Shares was $30,500 and the total value attributed to the Options was $85,919. In addition, consultants related to the ASX listing process received 2,500,000 Shares with a total value of $500,000.

There were no issue of shares and options to consultants during the year ended 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

5. TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Trade receivables	141,990	116,775
Other receivables	-	79,000
	141,990	195,775

(a) Classification of trade and other receivables

Trade debtors are amounts due from customers for services performed in the ordinary course of business. The trade receivables are generally due for settlement within 30 days and therefore are classified as current. The group does not currently have any provision for doubtful debts in respect to their receivables as at 30 June 2016.

(b) Fair value of trade and other receivables

Due to the short term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

6. OTHER ASSETS

Research and development tax incentive	571,613	309,010
Guarantee	296,154	-
Prepayments	9,104	12,468
	876,871	321,478

7. PROPERTY, PLANT AND EQUIPMENT

Cost	61,967	47,851
Accumulated depreciation	(41,509)	(38,792)
	20,458	9,059
Reconciliation		
Opening net book value	9,059	11,476
Additions	14,116	-
Disposals	-	-
Asset write-downs	-	-
Depreciation charge	(2,717)	(2,417)
Closing net book value	20,458	9,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

		Consolidated Entity 2016 $	Consolidated Entity 2015 $
8.	**TRADE AND OTHER PAYABLES**		
	Trade creditors	125,375	82,398
	Other creditors	216,229	192,626
		341,604	275,024

Fair value of trade and other payables

Trade payables are unsecured and are usually paid within 60 days of recognition.

The carrying amount of trade and other payables are assumed to be the same as their fair values, due to their short term nature.

9.	**PROVISIONS**		
	Current		
	Employee benefits - annual leave	26,127	-
	Non-current		
	Employee benefits - long service leave	21,547	10,098
	Total provisions	47,674	10,098

10.	**DERIVATIVE LIABILITY AT FAIR VALUE THROUGH PROFIT AND LOSS**		
	Convertible notes	-	-
		-	-
	Movements in Convertible notes:		
	Opening balance	-	560,000
	- Amounts received	-	-
	- Fair value movement of derivative instrument (through profit and loss)	-	560,000
	- Amounts settled in shares	-	(1,120,000)
	Closing balance	-	-

(a) Terms of the Notes

During the year ended 30 June 2015, the Company issued convertible notes to external investors to provide the Company with funding for the ASX listing process and for additional working capital purposes. The notes were provided on the following terms:

Particulars	Terms
Principle	$560,000
Interest rate	0%
Period	For a period until the Company lists on the ASX
Repayment	No formal specified repayment date of terms
Conversion	Subject to listing on the ASX at a price that is 50% of the IPO price (once set)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

10. DERIVATIVE LIABILITY AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

The Company therefore assessed the accounting treatment for the transaction as a derivative financial instrument.

(b) Security

The notes were unsecured and there was no covenants in place for the notes.

(c) Valuation inputs

The valuation of the notes was undertaken using the following inputs (considered to be level 3):

Particulars	Terms
Cash / Notes	$560,000 ($1 per note 560,000)
IPO Price	$0.20
Shares issued	5,600,000
Period	Estimated 12 month period (subject to successful listing on the ASX)

Fair value of the Shares issued on conversion of the notes was therefore assessed as $1,120,000 at the date of settlement.

There was no need to account for transactions as derivative financial instruments during the year ended 30 June 2016.

11. BORROWINGS

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Loans - directors	441,891	441,891
	441,891	441,891
Movements in directors loans		
Opening balance	441,891	441,891
- Amounts borrowed	-	221,130
- Amounts settled in options (b)	-	(25,000)
- Amounts repaid	-	(196,130)
Closing balance	441,891	441,891

The additional amounts borrowed and repaid during the year ended 30 June 2015 did not form part of the original loan agreement terms and conditions outlined below. Interest was charged on a monthly basis at a rate of 7% (before repayment).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

11. BORROWINGS (continued)

(a) Borrowings

(i) Terms of the Borrowings

The accounting parent entered into a loan agreement with three directors of Proteomics International Laboratories Ltd during the year ended 30 June 2015 to provide the Company with funding for working capital purposes. The loan is provided on the following terms:

Particulars	Terms
Principal	$441,891
Interest rate	7%
Maturity	April 15 2019
Repayment	In cash at any time (Company) or at maturity in cash or in shares at the market price

The Company has therefore assessed the accounting treatment for the transaction as debt and classified the value as a borrowing.

There were no additional borrowings undertaken during the year ended 30 June 2016.

(ii) Security

The borrowing is unsecured and there are no covenants in place for the loan.

(b) Compound financial instruments	**Consolidated Entity 2016 $**	**Consolidated Entity 2015 $**
Face value of the note	-	25,000
Share based payments reserve - value of the conversion right	-	3,360
Fair value of the liability at inception	-	21,640
Interest expense	-	3,360
Interest paid	-	-

(i) Terms of the Compound financial instrument

The Company entering into a convertible loan agreement during the year ended 30 June 2015 under the following terms:

Particulars	Terms
Face value	$25,000
Coupon rate	0%
Period	7 months until the Company listed on the ASX
Repayment	At any time (at the Company's discretion)
Maturity	At maturity the note will mandatorily convert into 2,500,000 options

The Company has therefore assessed the accounting treatment for the transaction as a compound financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

11. BORROWINGS (continued)

(ii) Security

The notes were unsecured and there are no covenants in place for the notes.

(iii) Valuation inputs

The valuation of the notes was undertaken using the following inputs (considered to be level 3):

Particulars	Terms
Cash	$25,000
Discount rate	25%
Period	7 months until the Company listed on the ASX

The discount rate is an estimate of the risk embedded in the instrument and the Company's perceived credit risk at the time of entering into the note.

There were no compound financial instruments entered into during the year ended 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

12. ISSUED CAPITAL

(a) Share Capital	2016 Shares	2015 Shares	2016 $	2015 $
Ordinary Shares	50,604,635	50,581,453	4,048,816	4,044,180
Total consolidated issued capital				

(b) Movement in share capital

Date	Details	Number of shares 2016	$
1/07/2015	Opening balance	50,581,453	4,044,180
27/11/2015	Exercise of options	1,250	250
7/12/2015	Exercise of options	7,500	1,500
16/02/2016	Exercise of options	13,750	2,750
31/03/2016	Exercise of options	682	136
	Closing balance	50,604,635	4,048,816

Date	Details	Number of shares 2015	$
1/07/2014	Opening balance	1,359	372,690
30/09/2014	Issue of shares - acquisition of subsidiary (i)	26,250,000	5,250,000
	Less: adjustment for continuation accounting		(5,250,000)
13/10/2014	Issue of shares - consultants (ii)	2,500,000	500,000
8/04/2015	Issue of shares - conversion of derivative instruments (iii)	5,600,000	1,120,000
8/04/2015	Issue of shares - to PIPL option holders (iv)	828,952	77,095
9/04/2015	Issue of shares - ASX listing (v)	15,250,000	3,050,000
8/04/2015	Issue of shares - consultants (vi)	152,500	30,500
	Less: Transaction costs		(1,106,105)
	Deferred tax recognised in equity		-
	Closing balance		4,044,180

(i) Acquisition – existing shareholders of Proteomics International Pty Ltd exchanged their shares in PIPL for shares in PILL
(ii) Consultants - Shares issued to consultants in relation to the ASX listing process.
(iii) Derivative - shares issued to extinguish derivative financial instruments.
(iv) PIPL options - shares issued to exchange options in the trading entity with shares in the legal parent.
(v) IPO - shares issued under the prospectus.
(vi) Consultants - shares issues to consultants on completion of the IPO.

(c) Ordinary shares

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

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

13. SHARE BASED PAYMENTS RESERVE

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Performance rights (a)	359,421	145,484
Option reserve (b)	210,295	114,279
	569,716	259,763

(a) Other equity rights	2016 Rights	2015 Rights	2016 $	2015 $
Performance rights	175	175	359,421	145,484

(i) Movements in performance rights

Date	Details	Number of rights 2016	$
1/07/2015	Opening balance	175	145,484
30/06/2016	Expense recognised in 2016 year*		213,937
30/06/2016	Closing balance		359,421

Date	Details	Number of rights 2015	$
1/07/2014	Opening balance	-	-
8/04/2015	Issue of rights	175	145,484
30/06/2015	Closing balance		145,484

*Refer to Note 20 for further information regarding performance rights

(b) Option reserve

	2016 Options	2015 Options	2016 $	2015 $
Options	15,732,181	3,110,000	210,295	114,279
Total consolidated issued options				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

(i) Movements in options reserve

Date	Details	Number of options 2016	$
1/07/2015	Opening balance	3,110,000	114,279
29/10/2015	Issue of options*	12,645,363	126,454
	Options issue costs		(30,438)
	Closing balance		210,295

*Non-renounceable entitlement issue of 1 Option for every 4 Shares held.

During the year ended 30 June 2016 23,812 options were exercised and converted into shares.

Date	Details	Number of options 2015	$
1/07/2014	Opening balance	115	77,095
7/09/2014	Issue of shares to replace options	(115)	(77,095)
8/04/2015	Issue of options - consultants	610,000	85,919
8/04/2015	Issue of options - settlement of debt	2,500,000	28,360
	Closing balance		114,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

14. ACCUMULATED LOSSES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Opening balance	(2,498,658)	(1,349,457)
Loss for the year	(1,328,456)	(1,149,202)
Closing balance	(3,827,114)	(2,498,658)

15. FINANCIAL RISK MANAGEMENT

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

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

The Group and the Company hold the following financial instruments:

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Financial assets		
Cash and cash equivalents	582,256	2,004,974
Trade and other receivables (a)	141,990	126,652
	724,246	2,131,626
Financial liabilities		
Trade and other payables (b)	(340,553)	(197,220)
Borrowings	(441,891)	(441,891)
	(782,444)	(639,111)

(a) excludes GST receivables and prepayments
(b) excludes GST payable and employee benefits

The Group's principal financial instruments comprise cash, short-term deposits and borrowings.

The main purpose of the financial instruments is to fund the Group's operations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Cash flow and interest rate risk

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

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

	Note	Weighted Average Interest rate	Total $
30 June 2016 Consolidated			
Financial assets			
Cash and cash equivalents		1.70%	582,256
30 June 2015			
Cash and cash equivalents		1.51%	2,004,974

All other financial instruments have either a zero coupon rate or a fixed interest rate.

Sensitivity

At 30 June 2016, if interest rates had increased by 0.25% or decreased by 0.25% from the year end rates with all other variables held constant, post-tax loss for the year would have been $3,321 lower / ($3,321) higher (2015 changes of 0.25% / 0.25%: $5,012 lower/ ($5,012) higher), mainly as a result of higher / lower interest income from cash and cash equivalents.

(ii) Foreign currency risk

The Group is exposed to movements in foreign exchange due to the number of clients that the Group currently works with overseas. The Group does not currently hedge its exposure to foreign currency sales and therefore the impact on the financial statements at year end for foreign currency movements is below:

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2016		30 June 2015	
	USD	JPY	USD	JPY
Trade receivables	47,352	680,000	25,305	4,099

Sensitivity

The sensitivity of the profit and loss to changes in exchange rates arising in mainly USD/AUD denominated financial instruments and the impact of the other components of equity is listed below:

	Impact on post tax profits		Impact on equity	
	2016 $	2015 $	2016 $	2015 $
USD/AUD exchange rate - increase 5%	(2,954)	(1,265)	2,954	1,265
USD/AUD exchange rate – decrease 15%	(8,105)	3,796	8,105	(3,796)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Otherwise, if there is no independent rating, the board assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by the managing director. Sales to retail customers are required to be settled in cash (in part, in advance) or using major financial institutional payment processes, to mitigate credit risk.

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Financial assets		
Cash and cash equivalents	582,256	2,004,974
Trade and other receivables	141,990	195,775
	724,246	2,200,749

The Group's financier has a A2 Moody's rating.

The Group's total exposure to trade and other receivables is listed above and the table below highlights those receivables that are past due but not impaired as at the reporting date:

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Over 60 days	20,330	32,767

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the history of these other classes, it is expected that these amounts will be received.

(c) Liquidity risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to cash assets and floating interest rates. The Group does not have significant interest-bearing assets (other than cash) and is not materially exposed to changes in market interest rates due to the unprecedented low interest rates.

The Directors monitor the cash-burn rate of the Group on an ongoing basis against budget. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or additional capacity in its borrowings arrangements.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Maturities of financial liabilities

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

(i) Assessment of contractual cash flows

Contractual maturities of financial liabilities As at 30 June 2016	Less than 6 Months $	6 - 12 Months $	Between 1 and 2 years $	Between 2 and 5 years $	Total Contractual Cash Flows $	Carrying Amount $
Non-derivatives						
Trade payables	125,375	-	-	-	125,375	125,375
Borrowings	16,191	16,316	466,383	-	498,890	441,891
Total non-derivative	141,566	16,316	466,383	-	624,265	567,266
As at 30 June 2015						
Non-derivatives						
Trade payables	82,398	-	-	-	82,398	82,398
Borrowings	15,593	15,424	466,383	-	497,400	441,891
Total non-derivative	97,991	15,424	466,383	-	579,798	524,289

Financing arrangements
The Group has a $50,000 overdraft facility with its financial institution in place as at 30 June 2016.

(d) Fair Value Estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, the board may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels.

The Company has no formal financing and gearing policy or criteria during the year having regard to the early status of its development and low level of activity.

There were no changes in the Company's approach to capital management during the year.

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

16. CONSOLIDATED ENTITIES

			Equity holding		Cost of Company	
			2016	2015	2016	2015
Name of entity	Class of share	Country of Incorporation	$	$	$	$
Accounting Parent						
Proteomics International Pty Ltd		Australia	100	100	5,250,000	5,250,000
Legal Parent						
Proteomics International Laboratories Ltd	Ordinary	Australia	-		-	

17. REMUNERATION OF AUDITORS

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
(a) Audit services		
- BDO Audit (WA) Pty Ltd	34,500	20,000
(b) Non-audit services		
- BDO Corporate Finance	-	9,300
- BDO Taxation	-	4,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

18. COMMITMENTS

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Laboratory access fees		
Within one year	136,719	94,705
Later than one year but no later than five years	119,182	36,705
Later than five years	-	-
	255,901	131,410

The Group pays fees to access strategic locations to use specialised equipment to undertake its operations. These laboratory access fees are payable under an agreement with the costs listed above.

19. RELATED PARTIES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
(a) Key management personnel (KMP) compensation		
Short-term employee benefits	355,000	209,054
Post-employment benefits	50,616	18,649
Share based payments	213,937	145,484
	619,553	373,187

The directors of the group comprise the key management personnel.
Compensation is paid to the directors individually with the exception of James Moses who was paid via Mandate Corporate. Mr Moses was paid $22,000 in consulting fees prior to becoming a director and $88,666 in director's fees of which $40,666 remained payable as of 30 June 2016.

(b) Performance rights disclosure to KMP's

The disclosure that relates to the performance rights terms and conditions and the valuation inputs can be found at note 20.

(c) Transactions with KMP's

The following loans where provided by Key Management Personnel during the year ended 30 June 2016:

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Beginning of the year	441,891	441,891
Loans advanced	-	221,130
Loans repaid	-	(221,130)
End of year balance	441,891	441,891
Interest charged (i)	32,507	35,410
Interest paid	(19,619)	(27,843)

(i) Interest has been accrued and is in trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

19. RELATED PARTIES (continued)

No additional loans were provided by Key Management Personnel during the year ended 30 June 2016.

The Company entered into two separate transactions with Key Management Personnel for convertible notes during the year ended 30 June 2015 on the following terms:

Particulars	Terms
Principal amount ($A)	$150,000
Interest rate on loan ($A)	0% per annum
Period of loan	From the date the Company receives the funds until the date of listing on the ASX
Conversion	The note converts at a 50% discount to the IPO price

Particulars	Terms
Principal amount ($A)	$25,000
Interest rate on loan ($A)	0% per annum
Period of loan	From the date the Company receives the funds until the date of listing on the ASX
Repayment of loan	In cash at any time (at the election of the Company) or at maturity the note will automatically convert to options at 1 cent per option

In addition to the transactions above, the Company also entered into a share sale agreement with shareholders of Proteomics International Pty Ltd. This included certain Key Management Personnel and the details relating to these personnel are listed below.

KMP	Number of shares in PIPL	Number of shares in PILL
Richard Lipscombe	758	14,641,280
Bill Parker*	325	6,277,594
John Dunlop	197	3,805,188

The acquisition does not fall within the provisions of AASB 3 and therefore the Company has applied continuation accounting in the preparation of the financial statements. The value per share was deemed to be $0.20.

No transactions with Key Management Personnel for convertible notes occurred during the year ended 30 June 2016.

* Bill Parker resigned as a director of the company on 30 June 2016.

20. SHARE BASED PAYMENTS

(a) Performance rights

Terms of performance rights

On 27 October 2014 the Company and the executive directors agreed the terms and conditions of a performance rights plan as follows.

Rights	Number of rights	Number of shares	Grant date	Hurdle 1	Hurdle 2	Cap on shares issued
A	50	5,000,000	27-10-14	Signed agreement within 2 years of listing	Receive $10m within 2 years of delivering hurdle 1	10,000,000
B	25	2,500,000	27-10-14	Signed agreement within 2 years of listing	Receive $5m within 2 years of delivering hurdle 1	10,000,000
C	100	10,000,000	27-10-14	Signed agreement within 2 years of listing	Receive $20m within 3 years of delivering hurdle 1	10,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

The directors have reassessed the probability of the vesting of the performance shares.

Particulars	Valuation inputs
Vesting period	Between 4.5 and 5.5 years
Vesting conditions	Hurdles above
Probability	A rights - 50%, B rights - 75% and C rights - 5% (2016)
Probability	A rights - 50%, B rights - 60% and C rights - 10% (2015)

A summary of the rights granted by the Company to the directors during the year ended 30 June 2015 is set out below:

Grant date	Expiry date (a)	Fair Value $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Converted during the year Number	Balance at end of the year Number	Value at grant date (b)
27/10/2014	13/4/2019	0.20	50	-	-	-	50	571,429
27/10/2014	13/4/2019	0.20	25	-	-	-	25	285,714
27/10/2014	13/4/2020	0.20	100	-	-	-	100	1,142,857
Total			**175**	**-**	**-**	**-**	**175**	**2,000,000**

(a) Based on the maximum period to expiry of hurdle 2
(b) Based on the maximum value available if all rights are achieved taking into account the cap on the number of shares issued

Rights Directors of PILL 2016	Balance at the start of the year	Granted as compensation	Cancelled	Converted during the year	Balance at the end of the year	Unvested	Vested and convertible
Directors							
J Dunlop	28	-	-	-	28	28	-
Bill Parker	42	-	-	-	42	42	-
R Lipscombe	105	-	-	-	105	105	-

(b) Share based payments to consultants

During the year ended 30 June 2015 the Company issued a number of equity instruments in relation to the process of listing on the ASX. The transactions and the fair values have been listed below.

Type of instrument	Terms (if applicable)	No. of Instruments issued	Issue date	Value at issue date	Amount recorded
Shares	N/A	2,500,000	13/10/2014	$0.20	500,000
Shares	N/A	152,500	8/04/2015	$0.20	30,500
Options	$0.20 expire 31 March 18	610,000	8/04/2015	$0.141	85,919
					616,419

The total value of the instruments issued as been recorded in share capital (share issue costs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

Fair value of options issued for services

The fair value of options granted to consultants was $0.141. The fair value at grant date is determined using the Black Scholes Option Pricing Model. The value of services received were unable to be measured reliably and therefore the value of services received was measured using fair value of market prices

The valuation inputs for the share based payments for consultants are as follows:

Particulars	Input
Consideration	The Options were issued for nil consideration
Exercise price	The exercise price is $0.20
Grant date	The grant date was 27/10/14
Expiry date	The expiry date is 31/3/18
Share price	The shares price used was $0.20
Expected volatility	The expected volatility was 110%
Dividend yield	The dividend yield was nil
Risk free rate	The risk free rate was 2.64%

The expected volatility was based on companies within the same industry as the Group was not yet listed on the ASX.

(c) Options	2016 Options	2015 Options
Options excisable at $0.20 each	15,732,181	3,110,000

(d) Movement in options

	2016		2015	
	Average exercise price	Number of Options	Average exercise price	Number of Options
As at 1 July	$0.20	3,110,000	$2,500	115
Issued during the period (i)	$0.20	12,645,363	$0.20	3,110,000
Exercised during the period	$0.20	(23,182)	-	-
Forfeited during the period	-	-	-	-
Other	-	-	$2,500	(115)
As at 30 June	$0.20	15,732,181	$0.20	3,110,000
Vested and exercisable	$0.20	15,732,181		

No options expired during the periods covered above.
(i) Non-renounceable entitlement issue of 2 options for every 4 shares held.

Options outstanding at the end of the year have the following expiry date and exercise price:

Grant Date	Expiry date	Exercise Price	No. Options
08/04/2015	31/03/2018	$0.20	3,110,000
29/10/2015	31/03/2018	$0.20	12,622,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

21. DIVIDENDS

The directors have not paid or declared a dividend during the financial year.

22. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities for the year ended 30 June 2016.

23. SEGMENT REPORTING

Full-year ended 30 June 2016	Operational $	Corporate $	Total $
Segment revenue			
Total segment revenue	816,845	-	816,845
Inter segment sales	-	-	-
Revenue from external customers	816,845	-	816,845
Income / (Expenses)			
Interest income	-	34,129	34,129
Interest expenses	(32,210)	(297)	(32,507)
Depreciation	(2,717)	-	(2,717)
Share based payment expense	-	(213,937)	(213,937)
Income tax expense	-	-	-
(Loss) after income tax expense	(1,227,260)	(673,465)	(1,900,725)

Full-year ended 30 June 2015	Operational $	Corporate $	Total $
Segment revenue			
Total segment revenue	596,580	-	596,580
Inter segment sales	-	-	-
Revenue from external customers	596,580	-	596,580
Income / (Expenses)			
Interest income	-	11,815	11,815
Interest expenses	(44,704)	(3,360)	(48,064)
Depreciation	(2,417)	-	(2,417)
Fair value movement in derivatives	-	(560,000)	(560,000)
Share based payment expenses	-	(145,484)	(145,484)
Income tax (expense) / benefit	(18,229)	-	(18,229)
(Loss) before income tax expense	(619,057)	(888,189)	(1,507,246)

Segment assets			
At 30 June 2016	843,077	2,886,860	3,729,937
At 30 June 2015	548,399	3,165,744	3,714,143
Segment liabilities			
At 30 June 2016	2,837,886	100,633	2,938,519
At 30 June 2015	1,889,459	19,399	1,908,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

23. SEGMENT REPORTING (continued)

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Revenue from external customers - segments	816.845	608,394
Revenue from external customers - total	816,845	608,394
Reconciliation of Profit / (Loss)		
(Loss) before income tax expense - segments	(1,900,725)	(1,507,246)
R&D Tax Incentive	572,269	309,010
Grant Income	-	49,035
(Loss) before income tax expense from continuing operations	(1,328,456)	(1,149,201)
Total segment assets	3,729,937	3,714,143
Elimination (inter-company loan)	(2,107,350)	(1,181,845)
Total assets	1,622,587	2,532,298
Total segment liabilities	2,938,519	1,908,858
Elimination (inter-company loan)	(2,107,350)	(1,181,845)
Total liabilities	831,169	727,013

24. EARNINGS PER SHARE

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
(loss) attributable to ordinary shareholders	(1,328,256)	(1,149,201)
Weighted average number of ordinary shares*	50,592,486	26,338,374
Balance at the beginning of the year	50,581,453	1,359
Effect of shares issued 30 September 2014	-	19,633,562
Effect of shares issued 13 October 2014	-	1,780,822
Effect of shares issued 8 April 2015	-	1,273,425
Effect of shares issued 8 April 2015	-	188,501
Effect of shares issued 9 April 2015	-	3,426,027
Effect of shares issued 8 April 2015	-	34,678
Effect of options exercised 27 November 2015	1,544	-
Effect of options exercised 7 December 2015	4,233	-
Effect of options exercised 16 February 2016	5,086	-
Effect of options exercised 31 March 2016	170	-
	50,592,486	26,338,374

* Includes the effect of the transaction (under continuation accounting) for the purpose of the comparative earnings per share calculation.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 18 August 2016 the Company announced the first commercialisation deal for its PromarkerD assay. This agreement will see an exclusive licence granted to Omics Global Solution to manufacture the test kit in the US territory of Puerto Rico, and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

for its sister company Macrotech Farmacéutica to distribute the diabetic kidney disease test in the Dominican Republic. The full extent of the present value of financial terms is in excess of US$1.5M for the first nine years of the agreement.
On 24 August PILL announced it is expanding its diagnostics portfolio to investigate endometriosis. This is the first step in the development of a simple blood test for this disease, which has the potential to replace current invasive diagnostic techniques.
Endometriosis is where the tissues that line the uterus spread and surround other organs, it affects one in ten women during their reproductive years and is estimated to cost Australia $7.7 billion annually.

26. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, PILL, as at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2016 $	2015 $
Current assets	2,890,381	3,165,744
Non-current assets	5,250,000	5,250,000
Total Assets	8,140,381	8,415,744
Current liabilities	104,154	19,399
Non-current liabilities	-	-
Total Liabilities	104,154	19,399
Issued Capital	8,926,126	8,921,490
Accumulated Losses	(1,459,615)	(784,909)
Reserves	569,716	259,763
Total Equity	8,036,227	8,396,345
Loss for the year	674,706	784,909
Other comprehensive income / (loss) for the year	-	-
Total other comprehensive income / (Loss) for the year	674,706	784,909

Contingent liabilities of the parent entity

The Company is not aware of any material contingent liabilities for the year ended 30 June 2016.

Commitments of the parent entity

The Company does not have any on-going commitments.

27. INTERESTS IN OTHER ENTITIES

The Group does not currently have any interests in other entities.

28. DEED OF CROSS GUARANTEE

The Group has not currently entered into a deed of cross guarantee.

29. ASSETS PLEDGED AS SECURITY

The Group has no assets that have been pledged as security.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flow, consolidated statements of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards, the *Corporations Regulations 2001, other mandatory professional reporting requirements*; and

   (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated entity;

   (c) comply with International Financial Reporting Standards as disclosed in Note 1.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2016, comply with section 300A of the *Corporations Act 2001*.

4. The Directors have been given the declarations by the Managing Director required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Terry Sweet
Chairman

Perth, Western Australia

Dated: 26 August 2016

Independent Auditor's Report

To the members of Proteomics International Laboratories Ltd

Report on the Financial Report

We have audited the accompanying financial report of Proteomics International Laboratories Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Proteomics International Laboratories Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Proteomics International Laboratories Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 (a) (iv) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity or debt finance. These conditions, along with other matters as set out in Note 1 (a) (iv), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 29 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Proteomics International Laboratories Ltd for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 26 August 2016

Shareholder Information

Details of securities as at 31st July 2016:

Top holders

The 20 largest registered holders of each class of quoted security as at 31 July 2016 were:

*Fully paid **ordinary shares***

	Name	No. of Shares	%
1.	LIPSCOMBE RICHARD JOHN	9,129,691	18.04
2.	LIPSCOMBE RICHARD JOHN <THE LUK A/C>	7,011,590	13.86
3.	XYLO PL <THE PARKER FAMILY A/C>	6,277,594	12.41
4.	DUNLOP JOHN SUTHERLAND R	3,805,188	7.52
5.	RANDOLPH RES PL	1,500,000	2.96
6.	SPARROW HLDGS PL <SWEET SUPER FUND A/C>	1,035,500	2.05
7.	MARTON PATRICIA	943,784	1.87
8.	MOSES JAMES OWEN	900,000	1.78
9.	GOULD DARLENE VALERIE	785,438	1.55
10.	SCINTILLA STRATEGIC INV L	600,000	1.19
11.	EPSTEIN M Y L + R C M <EPSTEIN SUPER FUND A/C >	540,621	1.07
12.	MOSES J O + JACOBS M A <DRAGON SUPER FUND A/C>	425,000	0.84
13.	WONG SUE LYNN	396,313	0.78
14.	TECHINVEST HLDGS PL <ANM A/C>	375,000	0.74
15.	GEBHARDT PETER L + C J <PETARD S/F A/C>	304,880	0.60
16.	CAMBERWELL GYNAECOLOGY CL <SKINNER SUPER FUND A/C>	290,723	0.57
17.	HSBC CUSTODY NOM AUST LTD	270,944	0.54
18.	AINSWORTH BARNABY	254,838	0.50
19.	KAWECKI MIECZYSLAW + M D <MAX KAWECKI SUPER FUND A/C>	250,030	0.49
20.	BAIRDOS PL	250,000	0.49
		35,347,134	69.85

Distribution schedule

The distribution schedule of ordinary shares as at 31 July 2016:

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	68	16,535	0.03
1,001 - 5,000	121	398,623	0.79
5,001 - 10,000	151	1,367,299	2.70
10,001 - 100,000	252	8,669,575	17.13
100,001 - Over	46	40,152,603	79.35
Total	638	50,604,635	100.00

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Richard John Lipscombe and associated entities	16,141,281
Mr John Sutherland R Dunlop and associated entities	5,305,188
Xylo Pty Ltd <The Parker Family A/C>	6,277,594

SHAREHOLDER INFORMATION

***Options** exercisable at $0.20 each on or before 31 March 2018*

	Name	No. of Shares	%
1.	SPARROW HLDGS PL <SWEET SUPER FUND A/C>	2,758,875	17.54%
2.	LIPSCOMBE RICHARD JOHN <THE LUK A/C>	1,752,898	11.14%
3.	LIPSCOMBE RICHARD JOHN	1,632,423	10.38%
4.	B2B HLDGS PL	1,025,000	6.52%
5.	MARSCHKE SHALEAH	593,750	3.77%
6.	K S CAP PL	508,750	3.23%
7.	MAILEY CRAIG NATHAN	500,000	3.18%
8.	RANDOLPH RES PL	375,000	2.38%
9.	FISHER FAM SUPER PL <FISHER S/F A/C>	343,770	2.19%
10.	SMYTH JOHN CAMPBELL <SMYTH SUPER FUND A/C>	300,000	1.91%
11.	CAMBERWELL GYNAECOLOGY CL <SKINNER SUPER FUND A/C>	287,300	1.83%
12.	XYLO PL <THE PARKER FAMILY A/C>	250,000	1.59%
13.	MOSES JAMES OWEN	225,000	1.43%
14.	GREGORY J WOOD & ASSOC PL <THE G J WOOD FAMILY A/C>	213,125	1.35%
15.	GOULD DARLENE VALERIE	199,479	1.27%
16.	PHILEL PL D & E <SKAZAS FAMILY A/C>	190,950	1.21%
17.	GEBHARDT PETER L + C J <PETARD S/F A/C>	166,250	1.06%
18.	BOORMAN THOMAS JAMES <BOORMAN INVESTMENT A/C>	150,000	0.95%
19.	PETARD PL	145,000	0.92%
20.	GOULDING JOHN C + C A	134,616	0.86%
		11,752,186	74.70

Distribution schedule

The distribution schedule of options as at 31 July 2016:

Options exercisable at $0.20 each on or before 31 March 2018

Range	Holders	Units	%
1 - 1,000	26	15,854	0.10
1,001 - 5,000	147	419.955	2.67
5,001 - 10,000	41	297,469	1.89
10,001 - 100,000	71	2,731,196	17.36
100,001 - Over	29	12,267,382	77.98
Total	314	15,731,856	100.00

Restricted securities

Fully paid ordinary shares

Number of Shares	Escrow Period
29,251,563	Restricted securities until 16 April 2017

Performance rights

Number of Rights	Escrow Period
175	Restricted securities until 8 April 2016

Unlisted securities

Performance rights

Class	Number of rights	Number of holders
Performance Rights	175	3

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1,923 as at 31 July 2016):

Holders	Units
91	46,527

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

Performance rights do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

ASX Admission Statement

During the year, the Company has applied its cash in a way that is consistent with its business objectives.

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Proteomics International

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