

Appendix 4E

Preliminary Final Report Proteomics International Laboratories Ltd ABN 78 169 979 971

Dates

Financial Year Ended	30 June 2016
Previous Corresponding Reporting Period	Financial year ended 30 June 2015

Results for Announcement to the Market

	Current Period (30 Jun 2016) \$	Percentage increase /(decrease) over previous corresponding period	Previous Corresponding Period (30 Jun 2015) \$
Revenue from ordinary activities ¹	816,845	34.2%	608,394
(Loss) from ordinary activities after tax attributable to members ²	(1,328,456)	15.6%	(1,149,201)
Net (loss) for the period attributable to members	(1,328,456)	15.6%	(1,149,201)

Notes:

1. Revenue from continuing operations has been disclosed as revenue from ordinary activities.
2. Net loss for the period from continuing operations has been disclosed as loss from ordinary activities after tax attributable to members

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Commentary on the results for the financial year ended 30 June 2016

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Life sciences company Proteomics International Laboratories Ltd (ASX: PIQ) (the Company, PILL) presents this financial report for the year ended 30th June 2016, with the following explanation of the 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 includes the R&D Tax incentive.
- The R&D Tax incentive has been calculated as \$572,269 and will be payable 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 new diagnostics tests in other areas of unmet medical need such as Alzheimer's disease.
- The loss from ordinary activities of \$1,328,456 reflects normal operational costs and non-cash items.

Operational expenses were in line with budget and reflect an increase in activity during the Company's first full year of operation as a listed entity.

Non-cash items total \$216,654 and include future performance based Performance Rights. These 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 Note 10). This has created a non-cash Share Based Payment expense of \$213,937 in 2016.

- PILL completed a "loyalty based" non-renounceable entitlement issue of 1 Option for every 4 Shares held at an issue price of \$0.01 per Option on 11 September 2015. The issue raised \$126,454. These Options have an exercise price of \$0.20 and will expire on 31 March 2018.
- A full description of PILL's operational activities are contained in the Company's Annual Report for 2016 available here:
www.proteomics.com.au/investors/reports-main-page/2016-annual-financial-reports

Net tangible assets per ordinary share

	30 June 2016	30 June 2015
	\$	\$
Net tangible asset per share	0.03	0.04

Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2016 %	2015 %	2016 \$A	2015 \$A
	N/A	N/A	N/A	N/A
Name of entity				
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Details of entities over which control has been gained or lost during the period

Name of entity	N/A
Date of gaining control	N/A
Commentary and contribution	N/A

Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input checked="" type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter:

Not applicable.

If the accounts have been audited contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter:

The independent audit report contains an emphasis of matter in relation to going concern. The emphasis of matter states that on the basis of the factors indicated in the going concern note to the financial statements, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

Proteomics International Laboratories Ltd

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

	Notes	Consolidated 2016 \$	Consolidated 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		572,269	309,010
Employment and labour expenses	2(c)	(1,494,146)	(780,584)
Share based payments expense	10	(213,937)	(145,484)
Depreciation expense		(2,717)	(2,417)
Fair value movement in derivatives		-	(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)	(1,130,972)
Income tax (expense) / benefit		-	(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)	(1,149,202)
Basic Loss per share for the year attributable to the members of Proteomics International Laboratories Ltd		(0.03)	(0.04)
Diluted loss per share		N/A	N/A

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

Proteomics International Laboratories Ltd

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016**

	Notes	Consolidated 2015 \$	Consolidated 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	582,256	2,004,974
Trade and other receivables	4	141,990	195,775
Other assets	5	876,871	321,478
TOTAL CURRENT ASSETS		1,601,117	2,522,227
NON-CURRENT ASSETS			
Property, plant and equipment		20,458	9,069
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	6	341,604	275,024
Provisions		26,127	-
TOTAL CURRENT LIABILITIES		367,731	275,024
NON-CURRENT LIABILITIES			
Borrowings	8	441,891	441,891
Provisions		21,547	10,098
TOTAL NON-CURRENT LIABILITIES		463,438	451,989
TOTAL LIABILITIES		831,169	727,013
NET ASSETS / (DEFICIENCY)		791,418	1,805,285
EQUITY			
Issued capital	9	4,044,180	4,044,180
Reserves	10	569,716	259,763
Accumulated losses		(3,827,114)	(2,498,658)
TOTAL EQUITY / (DEFICIENCY)		791,418	1,805,285

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

Proteomics International Laboratories Ltd

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

	Notes	Consolidated 2016 \$	Consolidated 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	111,365
Grant income		-	49,035
Income taxes paid		-	(12,649)
Interest received		34,129	11,815
Net cash outflow from operating activities	3	(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	3	582,256	2,004,974

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

Proteomics International Laboratories Ltd

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

CONSOLIDATED 30 JUNE 2016					
		Issued Capital	Share based Payments Reserves	Accumulated losses	Total
	Notes	\$	\$	\$	\$
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 income for the year		-	-	(1,328,456)	(1,328,456)
Transactions with Equity Holders in their capacity as Equity Holders					
Conversion of Options	9	4,636	-	-	4,636
Entitlement issue (net of costs)		-	96,016	-	96,016
Share based payments	10	-	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 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 income for the year	-	-	(1,149,201)	(2,048,873)
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.

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

Note 1 Accounting Policies

(a) Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

These consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001. Australian Accounting standards, including Australian Accounting Interpretations and other pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with any public announcements made by Proteomics International Laboratories Ltd (the Company) and its controlled entity during the period since listing in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

These financial statements cover the consolidated group of Proteomics International Laboratories Ltd and its controlled entity from the date of the acquisition. Proteomics International Laboratories Ltd is a listed public company, incorporated and domiciled in Australia.

The financial statements of Proteomics International Laboratories Ltd comply with all the International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies have been consistently applied by the consolidated entity across both periods presented in this report.

This report does not include full disclosures of the type normally included in the annual financial report.

Reporting basis and Convention

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 has been applied.

In accordance with Australian Accounting Standards, the acquisition by Proteomics International Laboratories Ltd (PIL) of Proteomics International Pty Ltd (PIPL) on 30 September 2014 was accounted for as a transaction under common control. Consequently, this report presents the consolidated results of the group for the year ended 30 June 2016, and that of PIPL for the year period from 1 July 2014 to 30 June 2015 and of the Group for the period from 30 September 2014 to 30 June 2015.

(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 to 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

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 fact had be known at the time.

(d) Significant accounting policies

The following is a list of significant accounting policies required to understand the financial statements:

(i) 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, 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.

(ii) 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.

(iii) Government grants and tax incentives

Grants from the government are recognised at their fair value where it is highly 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.

(iv) 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 asset are available; and
- The expenditure attributable to the asset during its development can be reliably measured.

(v) 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 balance sheet 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.

(vi) Employee benefits

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 options 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 recognizes the impact of the revision to the original estimates, if any, in the profit and loss, with a corresponding adjustment to equity.

2. Loss for the year

	Consolidated 2016 \$	Consolidated 2015 \$
Loss for the 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
Fair value movement in derivative	-	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
Share 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. Reconciliation of cash

	Consolidated 2016 \$	Consolidated 2015 \$
Cash at bank	130,401	55,974
Deposits at call	451,855	1,950,000
Total cash and cash equivalents	582,256	2,004,974

Reconciliation of cash (continued)

(a) Reconciliation of loss after income tax to net cash flows from operating activities

	Notes	Consolidated 2016 \$	Consolidated 2015 \$
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		-	560,000
Convertible note interest		-	3,360
Share and options based payments expense	10	213,937	145,484
(Increase) / decrease in traded and other debtors		53,785	(13,749)
(Increase) / decrease in other receivables		-	(48,492)
(Increase) / decrease in tax receivable		-	-
(Increase) / decrease in other assets		(555,393)	30,750
Increase / (decrease) in trade and other creditors		82,609	(45,279)
Increase / (decrease) in provisions		21,547	(22,394)
Net cash inflow / (outflow) from operating activities		(1,509,254)	(325,718)

(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 (Shares) in Proteomics International Laboratories Ltd (PILL) to the holders of options in Proteomics International Pty Ltd (PIPL) 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 as 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.

4. Trade and other receivables

	Consolidated 2016 \$	Consolidated 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.

5. Other assets

	Consolidated 2016 \$	Consolidated 2015 \$
Research and development tax incentive	571,613	309,010
Guarantee	296,154	-
Prepayments	9,104	12,468
	876,871	321,478

6. Trade and other payables

	Consolidated 2016 \$	Consolidated 2015 \$
Trade creditors	125,375	82,398
Other creditors	216,229	194,626
	341,604	275,024

(a) 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.

7. Derivative liability at fair value through Profit or Loss

	Consolidated 2016 \$	Consolidated 2015 \$
Convertible notes	-	-
	-	-
Movements in convertible notes		
Opening balance	-	560,000
- Amounts received	-	-
- Fair value movement of derivative instrument (through profit or 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

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	\$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.

8. Borrowings

	Consolidated 2016 \$	Consolidated 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

(a) Borrowings

(i) Terms of the Borrowings

The Company 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%
Period	2 years from date of listing on the ASX
Repayment	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.

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 2016 \$	Consolidated 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	-	-

Compound financial instruments (continued)

(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
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.

(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.

(iv) 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
	\$	\$	\$	\$	\$	\$
<i>Non-derivatives</i>						
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 and other 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

Assessment of contractual cash flows (continued)

Financing arrangements

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

9. Issued capital

	2016	2015	2016	2015
(a) Share Capital	Shares	Shares	\$	\$
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	\$
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

(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.

10. Share based payments reserve

	Consolidated 2016	Consolidated 2015
	\$	\$
Performance rights reserve (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

Share based payments reserve (continued)

(i) Movements in performance rights

Date	Details	Number of rights 2016	\$
1/07/2015	Opening balance	175	145,484
30/06/2016	Expense recognized in 2016		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
30/05/2015	Closing balance		145,484

(ii) Terms of the performance rights

The Company entered into an agreement with three directors of Proteomics International Laboratories Ltd on 27 October 2014 to provide performance rights. The terms of the rights are as follows:

Rights	A	B	C
No. of rights	50 rights	25 rights	100 rights
No. of Shares	5,000,000	2,500,000	10,000,000
Commencement	27/10/2014	27/10/2014	27/10/2014
Hurdle 1	Signed agreement within 2 years	Signed agreement within 2 years	Signed agreement within 2 years
Hurdle 2	Receive \$10m within 2 yrs of delivering hurdle 1	Receive \$5m within 2yrs of delivering hurdle 1	Receive \$20m within 3yrs of delivering hurdle 1
Cap - limit on share issue	Total shares available under the rights is a max of 10 million	Total shares available under the rights is a max of 10 million	Total shares available under the rights is a max of 10 million

(iii) Valuation inputs

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

Particulars	Valuation inputs
Grant date	Date of the agreement - 27 October 2014
No. of shares	10,000,000
Market Price	\$0.20

Fair value of the rights was therefore assessed to be \$2,000,000 as at the grant date.

(iv) Expense recognised in the profit and loss

The inputs relevant to recording the expense over the vesting period are as follows:

Particulars	Vesting calculation 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%

The amount recognised as a share based payment expense in the year ended 30 June 2016 was therefore \$213,937. The directors will re-assess the probability of vesting at each reporting date.

Share based payments reserve (continued)

(b) Option reserve

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

(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		<u>210,295</u>

- Non-renounceable entitlement issue of 1 option for every 4 Shares held.
During the year ended 30 June 2016, 23,182 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	<u>28,360</u>
	Closing balance		<u>114,279</u>

(ii) Summary of options

The following table summarises the options granted above:

	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
Granted during the period	\$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	<u>\$0.20</u>	<u>15,732,181</u>	<u>\$0.20</u>	<u>3,110,000</u>
Vested and exercisable	\$0.20	15,732,181		
No options expired during the periods covered above.				

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

Summary of options (continued)

(iii) Fair value of options issued for services

The fair value of options granted to consultants was \$0.141. 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 model inputs for the options granted during the year ended 30 June 2016 were:

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.

11. Dividends

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

12. Acquisition

During the year ended 30 June 2015, Proteomics International Laboratories Ltd (PILL), which was established in June 2014 entered into a share sale agreement whereby the existing shareholders of Proteomics International Pty Ltd (PIPL) exchanged their shares in PIPL for shares in PILL. The result of the transaction was that the original holders of the shares in PIPL received the same proportion of shares in PILL. The acquisition does not fall within the provisions of AASB 3 and therefore the Company has assessed the transaction as being under common control and as applied continuation accounting in the preparation of the financial statements.

13. Contingent liabilities

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

14. Segment reporting

	Operational \$	Corporate \$	Total \$
Full-year ended 30 June 2016			
Segment revenue			
Total segment revenue	816,845	-	816,845
Inter segment sales	-	-	-
Revenue from external customers	816,845	-	816,845
<i>Income / (expenses)</i>			
Interest income	-	34,129	34,129
Interest expenses	(32,210)	(297)	(32,507)
Depreciation	(2,717)	-	(2,417)
Share based payment expense	-	(213,937)	(213,937)
Income tax expense	-	-	-
Profit / (loss) after income tax expense	(1,227,260)	(673,465)	(1,900,725)

Segment reporting (continued)

Full-year ended 30 June 2015	\$	\$	\$
Segment revenue			
Total segment revenue	596,580	-	596,580
Inter segment sales	-	-	-
Revenue from external customers	596,580	-	596,580
 <i>Income / (expenses)</i>			
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 expense	-	(145,484)	(145,484)
Income tax (expense) / benefit	(18,229)	-	(18,229)
Profit / (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
		Consolidated 2016	Consolidated 2015
		\$	\$
Revenue from external customers - segments		816,845	608,394
Revenue from external customers - total		816,845	608,394
 Reconciliation of Profit / (loss)			
Profit / (loss) before income tax expense - segments		(1,900,725)	(1,507,246)
R&D Tax Incentive		572,269	309,010
Grant Income		-	49,035
Profit / (loss) before income tax expense from continuing operations		(1,328,456)	(1,149,201)
 Total segment assets		3,729,937	3,714,143
Total assets		1,622,587	2,532,298
Total segment liabilities		2,938,519	1,908,858
Total liabilities		831,169	727,013

15. Earnings per share

	Consolidated 2016 \$	Consolidated 2015 \$
Profit/(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 8 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 common control) for the purpose of the comparative earnings per share calculation.

16. Events occurring after the reporting period

On 18 August 2016 PILL announced the first commercialization 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 Farmaceutica to distribute the diabetic kidney disease test in the Dominican Republic. The full extent of the present value in financial terms is in excess of US\$1.5M for the first nine years of the agreement.

On 22 August 2016 PILL announced it is expanding its diagnostic portfolio to investigate endometrics. 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.