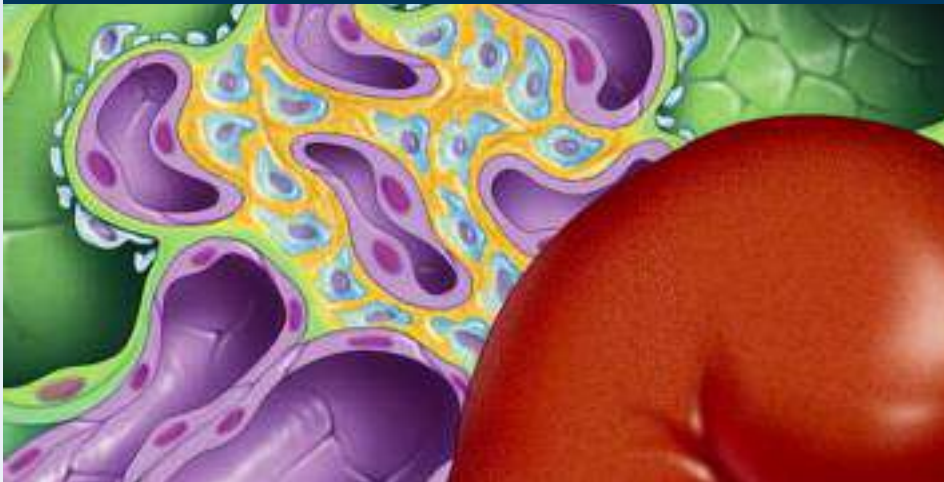




Proteomics International Laboratories Ltd

ACN 78 169 979 971



Annual
Report
2015



Corporate Directory

Directors

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

Company Secretary

Ms Karen Logan

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ASX Code: PIQ

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Bendigo Bank
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Perth, Western Australia 6000



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Chairman's Letter

Dear Shareholder,

On behalf of the board of Proteomics International Laboratories Ltd, I thank you for your investment in the company, and am pleased to be able to comment in our first annual report.

Having raised \$3 million in what was a tough market, and to have maintained a share price above the issue price through a very volatile period indicates that investors have confidence in the prospects for the company. I, and fellow board members share that confidence, and are sparing no effort to ensure that the novel science which underpins the company is developed and commercialised, for the benefit of our shareholders.

Each of your directors has a significant stake in the company, and are very clear that their interests are exactly the same as all other shareholders. Directors fees and executive salaries are modest, with incentives only being paid based upon real commercial success.

I wish to thank the scientists and laboratory staff for their amazing work in this relatively new field of Proteomics, and in particular our Managing Director Dr. Richard Lipscombe, the founder of the company, and Chief Scientist. His work over the past 14 years, leading to the formation of the Public Company in 2014, has been inspirational – without his groundbreaking insight into the possibilities for the science of Proteomics, your company would not exist. The potential to influence the health of hundreds of millions of people worldwide, and the commensurate rewards this could bring have always been clear in his mind, and it is a privilege to be able to share in that vision.

I encourage you to review this Annual Report, and in particular the Review of Operations, which outlines the company's activities over the past year.

I again thank you for your investment, and hope that we might meet at the company's first annual general meeting.

Sincerely



Terry Sweet
Chairman



What is proteomics? *These two organisms have exactly the same genome. Cells use the instructions in our genes to make proteins. Proteins are the operational molecules of life and carry out the functions of living organisms. As different proteins are made biological systems can change remarkably, as highlighted by the transformation of the caterpillar into the butterfly.*

Window on the Science

DNA shapes our lives. The Human Genome Project, to map human DNA, was the single largest undertaking in the history of biological science. Completed in 2003 it was a US\$4 billion international collaboration. Today, cumulative benefits are estimated at US\$1 trillion¹, and the foundation was laid for transformational changes in medicine, from stem cell therapies to cloning.

PILL believes the next generation of biological science opportunities lies in the area of proteomics. Alongside DNA, proteins are one of the two essential macromolecules of life, and their study is the focus of proteomics. Cells use DNA as a set of instructions to make proteins that carry out all the functions of living organisms.

Whereas a person's genes are stable over their lifetime and consistent between cells, protein compositions differ and evolve with a person's age and surrounding environment. Proteomics is now an integral part of the biotechnology and life sciences industries and plays an essential role in understanding disease and biological systems.



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.

1. National Human Genome Research Institute (National Institute of Health): Human Genome Project produces many benefits 2011.



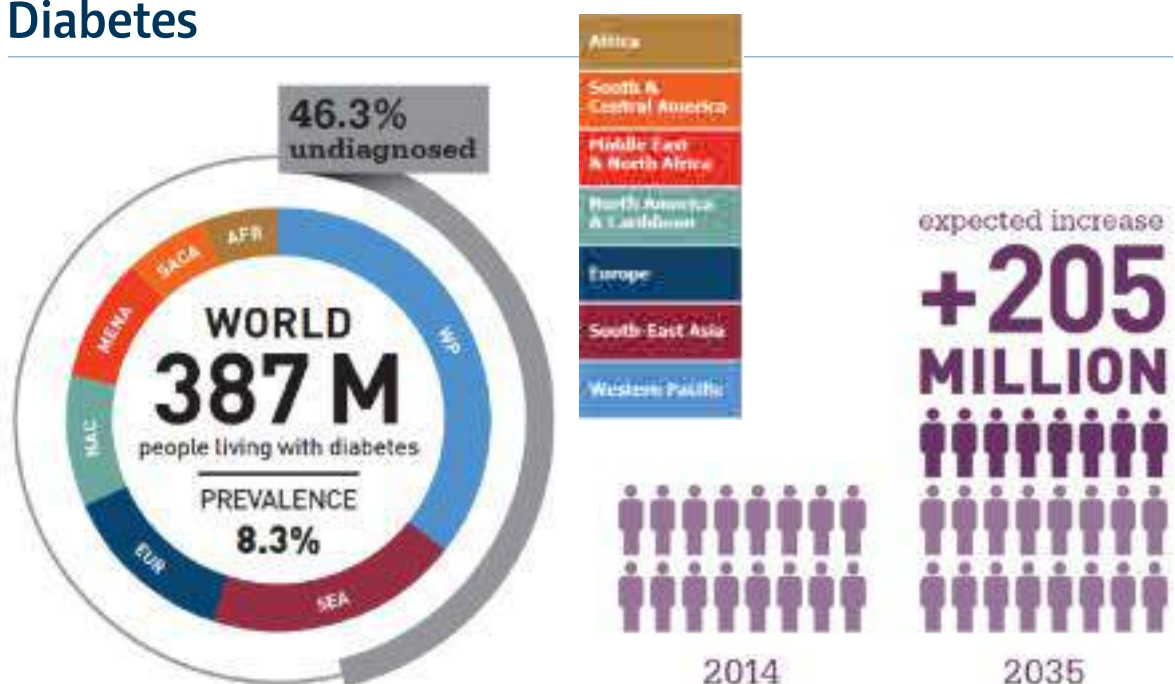
Technology Snapshot

Biomarkers "PromarkerD" (Diagnostics)

Diabetes is the fastest growing medical problem in the world today, and all regions of the planet are affected. Of global markets, the incidence of Diabetic Kidney Disease (DKD) is worst in the USA, but China and India are expected to overtake it in the near future.

According to the International Diabetes Federation there are 387 million people currently living with diabetes and that number will grow by 200 million in the next 20 years. Kidney disease is one of the major complications of diabetes, and its prevalence is growing at least at the same rate.

Diabetes



Total annual cost impact of diabetes in Australia - \$14.6 billion

International Diabetes Foundation 2014

The company believes the commercial potential is vast because PromarkerD is both versatile and adaptable. Critically, PromarkerD offers a prognostic (predictive) test in a market where there are *no currently available predictive tests*. Existing tests are only diagnostic, detecting disease only after clinical symptoms have started to appear.

The current gold standard urine-based test for DKD is not robust, with results differing simply by taking a walk around the block before being tested. In contrast, PromarkerD is also both a robust and sensitive diagnostic test. It can detect people with severe or mild kidney disease, and also detect individuals missed by the existing tests.

PromarkerD has the potential to be used on multiple platforms and in different areas:

- as a specialist diagnostic test run by clinical laboratories (laboratory developed test, LDT)
- as a standard clinical pathology laboratory assay produced by diagnostic companies (in vitro diagnostic, IVD)
- as a next generation test to monitor a patient's response to drug therapy and enable personalised medicine (companion diagnostic test, CDx)



Based on the successful development of PromarkerD, PILL has structured its R&D programme to pursue multiple new diagnostic targets over the next 12 months. The company is currently vetting opportunities in a range of medical areas, and in agriculture.

An Australian patent for this biomarker technology "Biomarkers associated with pre-diabetes, diabetes and diabetes related conditions" was granted in September 2015. Patents are also pending in all major jurisdictions.

Contract Research (Analytical Services)

PILL has built a worldwide reputation as an ISO 17025 accredited laboratory. It was the first laboratory to obtain such status in proteomics in 2009, and remains one of only a handful of organisations worldwide with this level of accreditation.

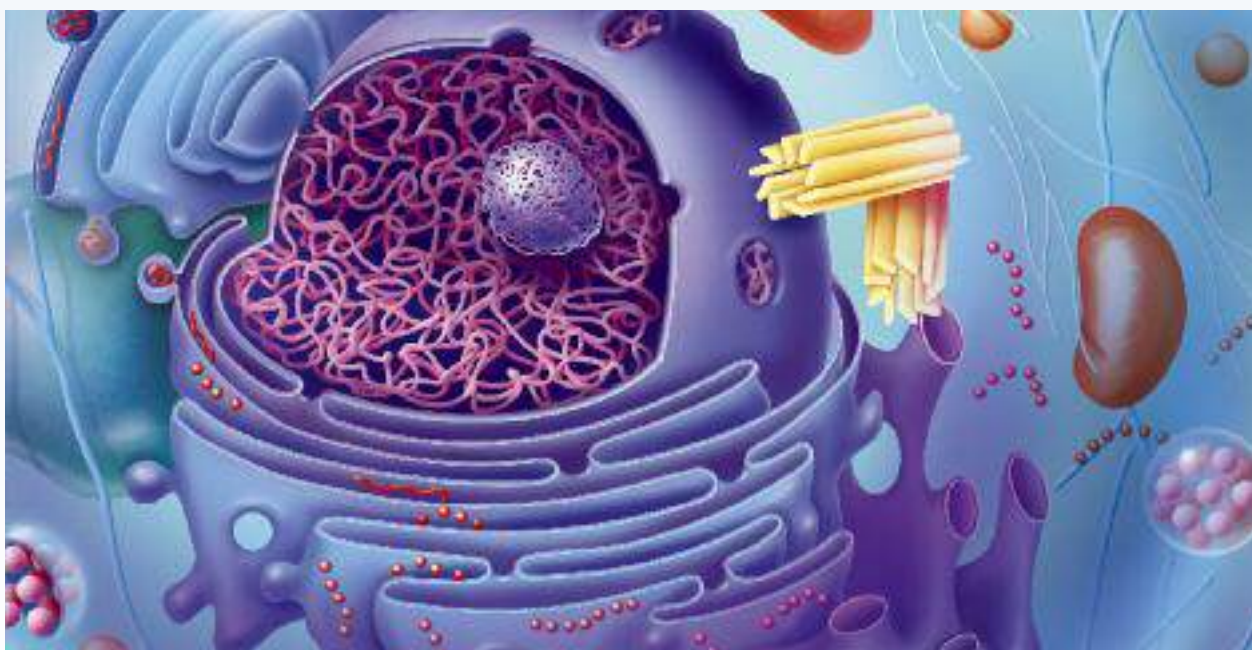
The analytical services division leverages its proteomics technology platform to test and validate the protein composition of a wide range of products. It has major application in the generic drug market (biosimilars) with manufacturers of these drugs seeking to have their compounds validated as like-for-like against blockbuster drugs they seek to replace as they come off patent. 12 protein-based drugs with combined revenue of \$50bn will come off patent by 2017 and this is driving a booming generics industry in the world's emerging economies. The composition of these biosimilars requires rigorous testing prior to receiving regulatory approval for commercial use – part of the company's specialist service offering.

Truth in labelling is becoming a powerful marketing tool and PILL has contracted to a \$330 million Australian milk company to support their sales of milk products by confirming analysis of their milk.

Revenue from the analytical services division has grown year-on-year at 27%.

Synergy

All aspects of PILL's operation employ the same team of scientists and all are versatile across all fields of the business. This versatility makes laboratory operations more efficient and cost effective.



Where do proteins come from? Cells house our genetic code, or genome, which contains all the information required for life. The information is stored as genes composed of DNA in the cell's nucleus. The molecular machinery of the cell uses the genetic code as a set of instruction to make proteins, for example, enzymes, growth hormones, antibodies, skin and muscle. Each protein is built from a string of amino acids and these proteins form the executive and operational molecules of life. Advances in technology over the last decade now allow the proteins found in cells, tissues or body fluids to be mapped simultaneously providing new insights into how biological systems operate.



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 2015.

DIRECTORS

The Directors of the Company in office during the financial year and until the date of this report are as follows (Directors were in office for the entire period unless otherwise stated):

- Mr Terry Sweet (Non-Executive Chairman)
- Dr Richard Lipscombe (Managing Director)
- Mr John Dunlop (Non-Executive Director)
- Dr Bill Parker (Non-Executive Director)

The Directors were all appointed to the Company on 9 June 2014 and have completed one year of service.

OPERATING RESULT

The operating result for the year was:

	CONSOLIDATED	
	2015	2014
	\$	\$
Loss before income tax	(1,130,971)	(249,494)
Income tax benefit/ (expense)	(18,229)	2,967
Loss for the year	(1,149,201)	(246,527)

DIVIDENDS

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

ISSUED CAPITAL

50,582,812 fully paid ordinary shares and 3,110,000 unlisted options exercisable at \$0.20 each on or before 31 March 2018 were on issue as at 30 June 2015.



Review of Operations

Principal Activities

Life sciences company PILL has had a transformational year in 2015, highlighted by its successful Initial Public Offering (IPO) and ASX listing and, at the business level, the discovery and reporting of a ground-breaking predictive test for the diagnosis of diabetic kidney disease.

PILL is focused on the area of proteomics. Proteomics is the industrial scale study of the structure and function of proteins. It is acknowledged as an integral part of the biotechnology and life sciences industries and plays a key role in understanding disease and biological systems. PILL is as a global leader in the field, and has developed a proprietary technology platform that operates across three synergistic proteomics-based business units, each operating in major growth markets. These are:

- **Diagnostics:** Biomarkers of diseases and personalised medicine.
- **Analytical services:** Specialist contract research, analytical testing and consultancy.
- **Drug discovery:** Therapeutic drug discovery with a focus on painkillers and antibiotics.

Successful ASX Listing

A key focus for the Company during the year was the undertaking and successful completion of its IPO and admission to the Official List of ASX (Code: PIQ). PILL released its prospectus in November 2014 and the process culminated with its ASX listing and commencement of trading of shares on the ASX on 16 April 2015. Sydney-based corporate advisory firm K S Capital acted as Financial Advisor and Lead Manager to the offer. The IPO raised \$3.05 million through the issue of 15.25 million shares priced at \$0.20 per share. The IPO represented a pivotal juncture in PILL's development timeline, and provided the capital and market presence required for the Company to execute its growth plans across its business units.

Breakthrough predictive test for the diagnosis of Diabetic Kidney Disease

In June 2015 the Company announced that it had produced and validated a predictive test for the diagnosis of diabetic kidney disease (DKD). The test, called PromarkerD, is the world's first proteomics-derived predictive (prognostic) test for the diagnosis of DKD, and represents a global breakthrough in the diagnosis and treatment of the disease. There is currently no available test for predicting the onset of DKD.



The potential medical benefits and cost savings from PILL's predictive test are huge. Diabetes is the fastest growing health issue in the world today and is the largest cause of kidney disease. In the United States over 11% of the population has diabetes, 35% of adults with diabetes have chronic kidney disease and 20% end up with kidney failure.

The ability to accurately predict the onset of DKD via a simple blood test and then provide appropriate clinical treatment to prevent the onset of the disease has the potential to save health care systems globally billions of dollars. In Australia alone, the total cost to the health system and in productivity loss attributed to diabetes is estimated at \$14.6 billion annually (Diabetes Australia). Of the approximately 1.7 million Australians who have chronic kidney disease, 1.5 million are not aware they have it.

The commercial benefits to PILL in successfully commercialising the test are enormous. The potential for pharmaceutical companies to market PromarkerD to identify at-risk patient groups and then to provide drugs to manage patients more effectively could provide PILL with substantial returns in the form of licensing fees and royalties.

The test was developed using PILL's world-leading proprietary proteomics platform to measure specific biomarkers (biological signatures) in the blood of patients with diabetes to determine the likelihood of those patients contracting DKD. Specifically, PromarkerD simultaneously measures a panel of 2-6 proteins to determine the patient's disease state.

The test was developed and validated in a \$2 million clinical study of 576 patients with diabetes, followed between 2010 and 2014 in Western Australia. The clinical study, which is ongoing, found that 10% of the patients had a significant and rapid decline in kidney function over the four-year study period.

The resulting analysis showed PromarkerD could predict:

- Which patients with diabetes will progress to have this decline in kidney function better than any other current known measure; and
- Which people with apparently healthy kidney function as measured by conventional tests are at risk of kidney problems.

The samples in the study were cross-validated with an established antibody-based technique broadly accepted by the US Food and Drug Administration (FDA), that showed there was excellent correlation between the two methods.

PromarkerD also has a diagnostic component (in addition to its predictive application), that utilises the biomarker panel to diagnose the early onset of DKD in a patient, where current tests for kidney function fail to detect the disease.

The Company is engaged in positive, ongoing discussions with major pharmaceutical companies in relation to partnering and licensing opportunities for PromarkerD, and it will provide details on the progress of these discussions in due course.

Moving forward, PILL will also focus on utilising its technology platform to develop new diagnostic tests in other areas of unmet medical need, such as Alzheimer's disease.





Patent for Diagnostic Test of Diabetic Kidney Disease

In May 2015 PILL received a Notice of Acceptance from IP Australia for Australian Patent Application 2011305050 entitled "Biomarkers associated with pre-diabetes, diabetes and diabetes related conditions" that covers its PromarkerD diagnostic test for DKD. The patent was subsequently granted on the 3rd September 2015 and will apply until September 2031. Patent applications are also pending in multiple other jurisdictions around the globe.

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	2011302050	Granted patent	20 September 2011 / 20 September 2031
Brazil	BR 11 2013 006764 0	Pending application	20 September 2011 / 20 September 2031
Canada	2,811,654	Pending application	20 September 2011 / 20 September 2031
China	201180053583.9	Pending application	20 September 2011 / 20 September 2031
European Community ⁴	11826214.6	Pending application	20 September 2011 / 20 September 2031
India	3012/DELNP/2013	Pending application	20 September 2011 / 20 September 2031
Indonesia ⁵	W00 2013 01585	Pending application	20 September 2011 / 20 September 2031
Japan	2013-528474	Pending application	20 September 2011 / 20 September 2031
Russia	2013113927	Pending application	20 September 2011 / 20 September 2031
Singapore ⁶	201301859-3	Pending application	20 September 2011 / 20 September 2031
USA	14/277,371	Pending application	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 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.

⁵ Solely owned by Proteomics International Pty Ltd

⁶ Solely owned by Proteomics International Pty Ltd.

This is a significant milestone in the commercialisation process for this breakthrough technology. The International Diabetes Foundation estimates that 387 million people currently have diabetes worldwide and the number is expected to rise to 1 in 10 of the world's population by 2035.



Extending PILL's clinical study findings to the larger worldwide problem suggests that many of the approximately 39 million individuals predicted to have a significant and rapid decline in kidney function could be identified by PromarkerD. This would represent a massive potential market for the technology owner/developer and any licensing partner(s).

PromarkerD can be commercialised simply using today's standard pathology laboratory assay systems, and also via a specialist mass spectrometry test, which, in the future, is likely to be common in next generation laboratories as technology is miniaturised.

Companies specialising in diagnostic kits may derive revenue streams and PILL may earn royalties and/or licensing fees from a commercially available test. The global market for diagnostic kits is substantial; in the US, the pathology lab industry is composed of 23,803 businesses with total annual revenue of US\$55 billion. Australia has 278 businesses generating \$3 billion in total annual revenue.



New Analytical Services Contracts

The Analytical Services component of PILL's business is built around its proteomics-based technology platform's ability to test and validate the protein composition of a wide and varied range of products. This centres upon the Company's ISO 17025 laboratory accreditation for proteomics services, which recognises PILL's ability to consistently achieve technically valid results, and is the most widely used laboratory standard for US Federal testing laboratories. In April the Company signed two new analytical services contracts in markets with significant growth potential.

PILL signed a significant Analytical Services contract with a major Middle Eastern-based biopharmaceutical company. The biopharmaceutical company is a major producer of biosimilars (generic drugs) across a wide spectrum of treatment targets, including blood disorders and multiple types of cancers.

Under the terms of the contract, PILL will utilise its state-of-the-art proteomics technology platform to provide analysis of the biopharmaceutical company's biosimilar drugs to prove comparability of its drug against the patented version and to provide quality control of its different batches.

The Company will specifically provide extensive structural and physico-chemical analysis of the client's biosimilar drug. The US FDA recently issued new guidelines recommending generic drug manufacturers undertake such testing to prove fingerprint-like similarity prior to moving into clinical trials.

This is a major contract for PILL's Analytics division and represents its largest single contract in the massive biosimilars market to date. The client biopharmaceutical company has a number of other biosimilar drugs in its pipeline, that offers the potential for PILL to secure additional contracts of similar size in the future.

The Analytical Services component of PILL's business has major application in the generic drug market with manufacturers of generic drugs seeking to have their compounds validated as a like-for-like product against the blockbuster drugs they seek to replace as they come off patent. Twelve protein-based drugs with combined revenue of \$50 billion will come off patent by 2017.



The composition of these biosimilars requires rigorous testing prior to receiving regulatory approval for commercial use and PILL offers one of the only accredited laboratories in the world for this type of analytical testing.

The second major analytical services contract PILL signed was with global dairy company, the a2 Milk Company Limited. Under the terms of the initial 12 month contract, PILL will provide analysis of protein in a2 Milk branded fresh milk products to validate protein composition and for quality control purposes.

PILL's commitment to excellence and its position as a recognised global leader in the field of proteomics make it an ideal partner and service provider for these types of testing. PILL plans to continue to grow the footprint of its analytical services business via its state-of-the-art proteomics technology platform, and this will be a key area of focus in 2016.

Appointment of Global Head of Business Development

In May, Mr John (Chuck) Morrison was appointed as the Company's Head of Global Business Development, based in Boston, USA. Mr Morrison has more than 37 years' experience in the life sciences, biotechnology and diagnostic industries and his appointment is a key addition to PILL's senior management team.

He will play a key role in sourcing and executing commercialisation opportunities for products derived from PILL's world-leading proprietary proteomics-based technology platform.

Mr Morrison has a highly successful track record in executing licensing deals and major acquisitions in the life sciences sector worldwide, including a lead role in the acquisition of Symbio Diagnostics, a leading diagnostic manufacturing and distribution company based in Shanghai, China.

Being based in Massachusetts, a major biotech centre and home to several major pharmaceutical companies, Mr Morrison is well placed to represent PILL in the massive US life sciences and biotech markets and other major markets.

The US market is a significant focus for PILL. It is a major growth market for key proteomics applications, such as in medicine, and developing innovation to apply the technology in the market.





Financial Position

The Group's financial report for the year ended 30 June 2015 includes the following significant items in its results:

- The year was highlighted by the successful completion of its IPO, and listing on the ASX on 16 April 2015. The Company raised \$3.05 million via the issue of 15.25 million shares at \$0.20 per share.
- 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 27%.
- PILL's combined income is \$0.97 million, including the research and development tax incentive and grants. The small reduction in the total as compared to 2014 reflects completion of the one million dollar Commercialisation Australia grant funding for the Company's novel diabetic kidney disease diagnostic test.
- The Research and Development tax incentive has been calculated as \$309,010 and will be received in FY2016. 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 \$1,149,202 reflects normal operational costs, costs related to the IPO, and non-cash items.
- Non-cash items total \$708,844 and are comprised of two parts:
 - (a) Future performance based performance rights become payable if set milestones are achieved with, for example, the Directors believing a 60% probability is reflective of a significant deal occurring within two years for a diagnostics project (see Note 15 (a) (i)). This has created a non-cash share based payments expense of \$145,484 in 2015.
 - (b) Convertible Notes utilised by the Company pre-IPO have been re-valued creating a non-cash Fair Value Movement in Derivatives of \$560,000 (see Note 12) with attaching interest of \$3,360 (see Note 13 (b)).

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

Outlook

In the next twelve months the Company will focus on Diagnostics and Analytical Services.

Specifically, PILL will continue to target commercialisation of PromarkerD across its different applications. The Company will also employ its proven biomarker discovery platform across other areas of unmet need in medicine and agriculture to pursue new diagnostic tests.

In Analytical Services PILL plans to continue to grow the footprint of its specialist testing business, with a focus on the growing production of generic protein (biosimilar) drugs in the world's emerging economies.



PILL will focus on its two most advanced business units to amplify its on-going discovery pipeline in diagnostics and to expand its analytical services.

Business Strategies

PILL is an ASX listed (ASX: PIQ) life science company focused on the area of proteomics – the industrial scale study of the structure and function of proteins. Proteomics is an integral part of the biotechnology and life sciences industries and plays a key role in understanding disease and biological systems.

PILL is recognised as a global leader in its field. It received the world's first ISO 17025 laboratory accreditation for proteomics services, and operates from state-of-the-art facilities at the Harry Perkins Institute of Medical Research in Perth, Western Australia. The Company's business model uses its proprietary technology platform to operate across three synergistic proteomics-based business units in massive growth markets:

- (a) **Diagnostics:** Biomarkers of diseases and personalised medicine - focus on diabetic kidney disease and Alzheimer's disease. The biomarkers market is projected to grow from a value of \$24.1 billion today to \$45.6 billion by 2020⁷.
- (b) **Analytical services:** Specialist contract research, analytical testing and consultancy - fee for service model. The dedicated proteomics market alone is estimated to be worth \$20.8 billion by 2018⁸.
- (c) **Drug discovery:** Therapeutic drug discovery with a focus on painkillers and antibiotics. The peptide therapeutics market is currently estimated to be worth \$17 billion⁹.

⁷ Markets and Markets: Biomarker market report 2015

⁸ Markets and Markets: Proteomics market report 2014

⁹ Research and Markets: Global Peptide Therapeutics report 2014



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

The Company announced a fully underwritten pro-rata options entitlement issue on 14th September 2015. The Entitlement Issue was proposed in the IPO prospectus as a "loyalty option" for those Shareholders who held their issued shares or new shareholders supporting the Company in its first few months after its admission to the Official List of ASX.

The Entitlement Issue offers eligible shareholders the opportunity to apply for 1 new option for every 4 existing ordinary shares held at an offer price of A\$0.01. The options may be exercised at any time from the date of issue until 31 March 2018 at an exercise price of A\$0.20 each. It is anticipated that up to 12.6 million options may be issued pursuant to the Entitlement Issue, that closes on the 9th October 2015 and would raise approximately A\$126,000 before costs.

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': www.proteomicsinternational.com/corporate-governance.



INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's interest in securities of the Company		
			Shares	Options	Performance rights
Mr Terry Sweet 	<p>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. Mr Sweet is a Fellow of the Australian Institute of Company Directors.</p>	Chairman	1,035,500	2,500,000	-
Dr Richard Lipscombe 	<p>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 Institute for Child Health Research). 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 14 years.</p>	Managing Director	16,141,281	-	105
Mr John Dunlop 	<p>John has been a director and founder of several ASX-Listed companies covering analytical laboratories, mineral exploration and finance and including a founding directorship of the beta-carotene producer Western Biotechnology Limited (subsequently acquired by Hoffman-La-Roche). A geologist by training, John has been credited with discovering the then oldest fossil stromatolites, pushing back the established age of life on Earth by about 1 billion years. 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 14 years.</p>	Nil	5,305,188	-	28
Dr Bill Parker 	<p>Bill, also a co-founder of the Company, has over 30 years' experience in university and commercial laboratories, including establishing and managing a NATA-accredited analytical laboratory. With a PhD in microbiology, he was also a founder director of the ASX listed Western Biotechnology Ltd. Bill has been a consultant to the WA State government in technology development, and technology park management. He was also a director of the Australian Solar Council. Bill has been with the Company for over 14 years.</p>	Nil	6,277,594	-	42



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
Bill Parker	Nil	Australian Solar Council Ltd

COMPANY SECRETARY

Karen Logan is a Chartered Secretary with over 12 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 2015, and the numbers of meetings attended by each Director were:

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

A = Number of meetings attended

B = Number of meetings held during the time the director held office

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

The Company has recently transitioned to being a listed public company. All of the Directors are actively involved in the operations and therefore the Directors have not yet established separate committees as all decisions are made by the full Board.

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
- Mr John Dunlop Non-Executive Director
- Dr Bill Parker Non-Executive Director

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 was admitted to the Official List of ASX in April 2015 and has not yet 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
\$	\$	\$
100,000	58,193	158,193

Executive Directors

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

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

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

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 \$
165,000	87,291	252,291

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 share 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 2016 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

As this is the first year that the Company has been listed on the ASX, the Remuneration Report has not yet been put to shareholders for comment or to be voted upon.

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:

2015	Short-term benefits		Post-employment benefits ² Superannuation \$	Other-long term benefits LSL Long Service Leave \$	Share based benefits Performance rights \$	Total \$	Percentage remuneration consisting of rights %	Performance related %
	Directors fees \$	Salary \$						
<i>Non-Executive Director</i>								
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	-
<i>Executive Directors</i>								
Richard Lipscombe	-	154,054	12,635	-	87,291	253,980	34	-
TOTAL	55,000	154,054	17,860	789	145,484	373,187		
2014¹								
<i>Non-Executive Director</i>								
Terry Sweet	-	-	-	-	-	-	-	-
John Dunlop	-	-	-	-	-	-	-	-
Bill Parker	-	-	-	-	-	-	-	-
<i>Executive Directors</i>								
Richard Lipscombe	-	122,000	11,285	1,619	-	134,904	-	-
TOTAL	-	122,000	11,285	1,619	-	134,904		

1. Remuneration in prior year is not linked to the performance of the Company, the values stated in 2014 relate to remuneration recognised in Proteomics International Pty Ltd.

2. There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).

3. The negative value relates to the reversal of long service leave paid out in 2015 (the corresponding payment is recognised as salary).

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



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

Mr John Dunlop (Non-Executive Director)

Particulars	Terms
Term of the agreement	No fixed term – subject to periodic re-election at the AGM
Base remuneration	\$25,000 + 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	\$25,000 + 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 Managing Director is formalised in a service agreement. 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)

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.

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

¹Based on the maximum period to expiry of hurdle 2.

²Based 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
<i>Directors</i>							
John Dunlop	-	28	-	-	28	28	-
Bill Parker	-	42	-	-	42	42	-
Richard Lipscombe	-	105	-	-	105	105	-



F. Additional information

While earnings and share 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 EBIT(DA) 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):

	2015 \$
Total income	966,439
EBITDA and non-cash	(375,007)
EBIT	(1,082,908)
Profit/(Loss) after tax	(1,149,201)

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

	2015 \$
Share price at listing date (\$A)	0.20
Share price at financial year end (\$A)	0.345
Total dividends declared (cents per share)	-
Basic loss per share (cents per share)	(0.04)

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
2015				
Terry Sweet	-	-	1,035,500	1,035,500
Richard Lipscombe	758	-	16,140,523	16,141,281
John Dunlop	197	-	5,304,991	5,305,188
Bill Parker	325	-	6,277,269	6,277,594

¹The movements in the shares relates to PILL's acquisition of Proteomics International Pty Ltd and the conversion of notes to shares.

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	Interest not charged	Amounts forgiven	Balance at the end of the year ¹	Highest balance of the loan during the year
2015						
Terry Sweet	-	-	-	-	-	75,000
Richard Lipscombe	428,212	33,023	-	-	428,212	545,597
John Dunlop	3,379	1,666	-	-	3,379	3,379
Bill Parker	10,300	721	-	-	10,300	10,300
	441,891	35,410	-	-	441,891	634,276

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	2 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.

(ii) Convertible notes

The Company entered into two separate transactions with key management personnel (Dr R Lipscombe \$150,000 and Mr T Sweet \$25,000) relating to convertible notes. The terms and conditions of these transactions are listed below:

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

At the date of listing (April 2015) the Company converted the note into 1,500,000 shares.

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

At the date of listing (April 2015) the Company converted the note into 2,500,000 options. The director started the year with Nil options and the only options issued were the 2,500,000 for the transaction above.

(iii) Purchase of Proteomics International Pty Ltd

During the year, 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. A number of key management personnel held shares in PIPL and consequently received a number of shares in the transaction as follows:

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

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.

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

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 115 (2014: Nil).

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:

	2015 \$	2014 \$
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 30 September 2015



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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 2015, 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 Limited and the entity it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2015



**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Consolidated Entity 2015 \$	2014 \$
Revenue from continuing operations			
- Services		608,394	479,872
Other Income			
- Grant income		49,035	536,844
- Research and development tax incentive		309,010	111,366
Employment and labour expenses	2 (c)	(780,584)	(769,464)
Share based payments expense		(145,484)	-
Depreciation expense		(2,417)	(3,374)
Derivative liability at Fair value through profit and loss	12	(560,000)	-
Intellectual property maintenance expenses		(52,939)	(20,242)
Interest expense		(48,064)	(34,321)
Laboratory supplies		(92,393)	(216,523)
Professional fees		(119,614)	(133,373)
Travel and marketing expenses		(60,187)	(32,793)
Laboratory access fees		(180,893)	(157,940)
Other expenses	2	(54,836)	(9,546)
Profit/(loss) before income tax		(1,130,971)	(249,494)
Income tax (expense) / benefit	3	(18,229)	2,967
Profit/(loss) after income tax from continuing attributable to equity holders of Proteomics International Laboratories Ltd		(1,149,201)	(246,527)
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences		-	-
Total comprehensive income for the year		-	-
Profit/(loss) and total comprehensive income attributable to equity holders of Proteomics International Laboratories Ltd		(1,149,201)	(246,527)
Basic earnings per share	27	(0.04)	(0.01)
Diluted earnings 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 2015

	Notes	Consolidated Entity 2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	4	2,004,974	51,006
Trade and other receivables	5	195,775	103,026
Income tax receivable	6	-	5,580
Other assets	7	321,478	220,847
TOTAL CURRENT ASSETS		2,522,227	380,459
NON-CURRENT ASSETS			
Property, plant and equipment	8	9,059	11,476
Intangible assets	9	1,012	1,012
TOTAL NON-CURRENT ASSETS		10,071	12,488
TOTAL ASSETS		2,532,298	392,947
CURRENT LIABILITIES			
Trade and other payables	10	275,024	221,028
Bank overdraft	4	-	15,035
Provisions	11	-	54,664
Derivative liability at fair value through profit and loss	12	-	560,000
TOTAL CURRENT LIABILITIES		275,024	850,728
NON-CURRENT LIABILITIES			
Borrowings	13	441,891	441,891
Provisions	11	10,098	-
TOTAL NON-CURRENT LIABILITIES		451,989	441,891
TOTAL LIABILITIES		727,013	1,292,619
NET ASSETS/ (DEFICIENCY)		1,805,285	(899,672)
EQUITY			
Issued capital	14	4,044,180	372,690
Reserves	15	259,763	77,095
Accumulated losses	16	(2,498,658)	(1,349,457)
TOTAL EQUITY/ (DEFICIENCY)		1,805,285	(899,672)

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 2015**

CONSOLIDATED ENTITY 30 JUNE 2015					
	Notes	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)	(1,149,201)
Transactions with Equity Holders in their capacity as Equity Holders					
Equity Issued	14	4,777,595	-	-	4,777,595
Share issue costs	14	(1,106,105)	-	-	(1,106,105)
Share based payments	15	-	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

30 JUNE 2014

		Issued Capital \$	Share based Payments Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2013		372,690	77,095	(1,102,930)	(653,145)
Loss for the year		-	-	(246,527)	(246,527)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	(246,527)	(246,527)
Transactions with Equity Holders in their capacity as Equity Holders					
Equity Issued		-	-	-	-
		-	-	-	-
Balance as at 30 June 2014		372,690	77,095	(1,349,457)	(899,672)

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 2015**

	Notes	Consolidated Entity 2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		662,562	432,301
Payments to suppliers and employees		(1,454,688)	(1,398,059)
Interest paid		(44,704)	(34,321)
Research and development tax incentive		111,366	142,116
Grant income		49,035	536,844
Income taxes paid		(12,649)	(8,328)
Interest received		11,815	3,728
Net cash outflow from operating activities	4	(677,263)	(325,718)
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Payments for acquisition of subsidiary		-	-
Payments for intangibles		-	-
Proceeds from sales of intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Net cash inflow from investing activities		-	-
Cash flow from financing activities			
Proceeds from the issue of equity		3,050,001	10,000
Payment for share issue costs		(428,734)	(60,952)
Proceeds from borrowings		221,130	566,000
Repayment of borrowings		(196,130)	(145,559)
Net cash inflow from financing activities		2,646,267	369,489
Cash and cash equivalents at the beginning of the financial year		35,971	(7,800)
Net increase in cash and cash equivalents		1,969,003	43,771
Cash and cash equivalents at the end of the financial year	4	2,004,974	35,971

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 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report Proteomics International Laboratories Ltd (the **Company** or **PILL**) for the financial year ended 30 June 2015 was authorised for issue in accordance with a resolution of directors on 30 September 2015.

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) for PILL 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 and have any liabilities.

Consequently, the financial statements have been prepared using continuation accounting and represent the results and operations of PIPL throughout the period with the result of PILL being consolidated into the Group from 1 October 2014.

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(a) Segment Information (continued)

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 shares issued – The IPO price has been used for all equity issues prior to the Company's listing on the stock exchange as it represents a reasonable basis for valuing the share given the intention of the Company;
- 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;
- Discount rate in the compound financial instrument – the Company and/or the instrument issued does not have a direct market comparison to provide an indicative rate, as such the Company has used its judgement when assessing a potential borrowing rate for the purpose of the valuation; and
- 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 facts had been known at the time.

(b) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(c) Principles of consolidation (continued)

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.

(d) 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 recognised 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.

(e) 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.

(f) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(g) Derivatives and financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The fair value movement in subsequent periods is recognised in the profit or loss.

(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 asset 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 2015

(j) Employee benefits (continued)

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(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.

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 cash flows 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 straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	1.5 – 8.8 years
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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 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 2015

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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.

(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 2014. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

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.

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 that are not yet mandatory

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They have not been applied in preparing the financial report.

Title and Reference	Nature of Change	Application date for entity
AASB 9 Financial Instruments AASB 9	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.	1 July 2018
	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(z) New accounting standards and interpretations that are not yet mandatory

Title and Reference	Nature of Change	Application date for entity
AASB 15 Revenue from contracts with customers	<p>An entity will recognise revenue to depict the transfer of promised good 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.</p> <p>The entity is yet to undertake a full analysis of the impact of this standard at this stage.</p>	1 July 2018
Annual Improvements 2012-2014 (AASB 2015-1)	<p>Amendments to clarify minor points in various accounting standards. The latest annual improvements clarify:</p> <ul style="list-style-type: none">• IFRS 5 – when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’ or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such• IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition• IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34• IAS 19 – that when determining the discount rate for postemployment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise• IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information. <p>The entity has not yet made a detailed assessment of the impact of this standard as at this stage.</p>	1 Jan 2018
Amendments to AASB 101 (AASB 2015-2) Disclosure Initiative	<p>The amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.</p> <p>The entity has undertaken a preliminary assessment of the changes to the presentation standard and does not believe there will be significant changes to the financial statements.</p>	1 Jan 2016



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

2. LOSS FOR THE YEAR

	Notes	Consolidated Entity 2015 \$	2014 \$
Loss for the full year included the following items:			
(a) R&D Tax incentive ⁽ⁱ⁾		309,010	111,366
(b) Other expenses			
Unrealised foreign exchange losses / (gains)		(580)	-
Realised losses / (gains)		5,575	-
Derivative liability at fair value through profit and loss	12	560,000	-
(c) Employee and labour expenses			
Salary and wages		768,738	701,717
Other personnel costs		15	-
Superannuation		59,472	57,251
Increase/(decrease) in leave liabilities		(47,641)	10,496
		780,584	769,464
Shares based payment expenses		145,484	-
		926,068	769,464

(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)

	Consolidated Entity 2015 \$	2014 \$
(a) Income tax expense / (benefit)		
Current tax / (over provision in prior year)	18,229	(2,967)
Deferred tax	-	-
	18,229	(2,967)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

3. INCOME TAX EXPENSE / (BENEFIT) (continued)	Consolidated Entity	
	2015	2014
	\$	\$
(b) Numerical reconciliation of income tax to prima facie tax		
Loss from continuing operations	(1,130,971)	(249,494)
Tax at the Australian tax rate (30%)	(339,291)	(74,848)
Tax effect of the amounts that are not deductible / (taxable) in calculating taxable income		
- Share based payments	43,645	-
- Fair value movement on derivative	168,000	-
- Interest on convertible notes / GIC Interest	1,008	-
- Timing difference not previously recognised	(33,727)	14,485
- Research and development tax incentive	(92,703)	(33,410)
- Losses not recognised	47,061	19,530
- Over provision of prior period tax	-	(2,967)
- Withholding tax paid in overseas locations	18,229	-
- Reduction in loss for tax incentive	206,007	74,244
	18,229	(2,967)
(c) Tax losses		
Unused tax losses for which no deferred tax assets have been recognised		
Australian losses	112,159	65,099
Potential tax benefit at 30%	33,648	19,530
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	10,098	54,664
Accruals	53,563	23,479
Capital raising through equity	489,687	-
Tax losses	112,159	65,099
	665,507	143,243



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

4. RECONCILIATION OF CASH	Notes	Consolidated Entity 2015 \$	2014 \$
Cash at bank		54,974	51,006
Deposits at call		1,950,000	-
		2,004,974	51,006
Bank overdraft		-	(15,035)
Total cash and cash equivalents		2,004,974	35,971
(a) Reconciliation of loss after income tax to net cash flows from operating activities			
Loss for the year		(1,149,201)	(246,527)
Depreciation		2,417	3,374
Unrealised net foreign currency (gain)/losses	2	(580)	-
Fair value movement in derivative	12	560,000	-
Convertible note interest	13	3,360	-
Share based payments expense	15	145,484	-
(Increase) / decrease in traded and other debtors		(13,749)	2,850
(Increase) / decrease in other receivables		(79,000)	(48,492)
(Increase) / decrease in tax receivable		5,580	-
(Increase) / decrease in other assets		(161,584)	30,750
Increase / (decrease) in trade and other creditors		54,577	(45,279)
Increase / (decrease) in provisions		(44,567)	(22,394)
Net cash inflow / (outflow) from operating activities		(677,263)	(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 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).

(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.

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

5. TRADE AND OTHER RECEIVABLES	Consolidated Entity 2015 \$	2014 \$
Trade receivables	116,775	103,026
Other receivables	79,000	-
	195,775	103,026

(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 2015.

(b) Other receivables

These amounts include the receivables from the Australian Taxation Office for GST and amounts accrued for income that has not been billed as at 30 June 2015.

(c) 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. INCOME TAX RECEIVABLE	Consolidated Entity 2015 \$	2014 \$
Withholding tax paid overseas	-	5,580
	-	5,580

7. OTHER ASSETS

Research and development tax incentive	309,010	111,366
Prepayments	12,468	109,481
	321,478	220,847

8. PROPERTY, PLANT AND EQUIPMENT

Cost	47,851	47,851
Accumulated depreciation	(38,792)	(36,375)
	9,059	11,476

Reconciliation		
Opening net book value	11,476	14,850
Additions	-	-
Disposals	-	-
Asset write-downs	-	-
Depreciation charge	(2,417)	(3,374)
Closing net book value	9,059	11,476



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity	
	2015	2014
	\$	\$
9. INTANGIBLE ASSETS		
Land access right	2	2
Intellectual property	1,010	1,010
	<u>1,012</u>	<u>1,012</u>

10. TRADE AND OTHER PAYABLES

Trade creditors	82,398	126,314
Other creditors	192,626	94,714
	<u>275,024</u>	<u>221,028</u>

(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.

11. PROVISIONS

Current		
Employee benefits - long service leave ^(a)	-	54,664
	<u>-</u>	<u>54,664</u>
Non-current		
Employee benefits - long service leave	10,098	-
	<u>10,098</u>	<u>54,664</u>

(a) As part of the transition to a public environment the Group paid all entitlements to employees that had accrued up to 1 July 2014.

DERIVATIVE LIABILITY AT FAIR VALUE

12. THROUGH PROFIT AND LOSS

Convertible notes	-	560,000
	<u>-</u>	<u>560,000</u>
Movements in Convertible notes		
Opening balance	560,000	-
- Amounts received	-	560,000
- Fair value movement of derivative instrument (through profit and loss)	560,000	-
- Amounts settled in shares	(1,120,000)	-
Closing balance	<u>-</u>	<u>560,000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

12. DERIVATIVE LIABILITY AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)**(a) Terms of the Notes**

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)

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.

13. BORROWINGS

	Consolidated Entity 2015 \$	2014 \$
Loans - directors	441,891	441,891
	441,891	441,891
Movements in directors loans		
Opening balance	441,891	581,450
- Amounts borrowed	221,130	-
- Amounts settled in options (b)	(25,000)	-
- Amounts repaid	(196,130)	(139,559)
Closing balance	441,891	441,891

The additional amounts borrowed and repaid during the year 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 2015

13. 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 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 (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.

(ii) Security

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

(b) Compound financial instruments

Face value of the note
Share based payments reserve - value of the conversion right

Fair value of the liability at inception

Interest expense
Interest paid

	Consolidated Entity 2015 \$	2014 \$
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 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.

(ii) Security

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

13. BORROWINGS (continued)**(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.

14. ISSUED CAPITAL

	2015 Shares	2014 Shares	2015 \$	2014 \$
(a) Share Capital				
Ordinary Shares	50,582,812	1,359	4,044,180	372,690
Total consolidated issued capital				

(b) Movement in share capital

Date	Details	Number of shares	\$
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		<u>4,044,180</u>

- (i) Acquisition - refer to note 24 for further commentary on the transaction
- (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.

Refer to note 4 (b) for further details of transactions (ii), (iii), (iv) and (vi) above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

14. ISSUED CAPITAL (continued)

Date	Details	Number of shares	\$
1/07/2013	Opening balance	1,355	362,690
2/07/2013	Exercise of options	2	5,000
6/08/2013	Exercise of an option	1	2,500
16/08/2013	Exercise of an option	1	2,500
	Closing balance		<u>372,690</u>

(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.

15. SHARE BASED PAYMENTS RESERVE

	Consolidated Entity 2015 \$	2014 \$
Performance rights (a)	145,484	-
Option reserve (b)	114,279	77,095
	<u>259,763</u>	<u>77,095</u>

(a) Other equity rights

	2015 Rights	2014 Rights	2015 \$	2014 \$
Performance rights	175	-	145,484	-
Total performance rights				

(i) Movements in performance rights

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

(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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

15. SHARE BASED PAYMENTS RESERVE (continued)

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

(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
Anticipate Market Price	\$0.20

The 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 amount recognised as a share based payment expense in the year ended 30 June 2015 was therefore \$145,484. The directors will re-assess the probability of vesting at each reporting date.

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

(b) Option reserve

	2015 Options	2014 Options	2015 \$	2014 \$
Options	3,110,000	115	114,279	77,095
Total consolidated issued options				

(i) Movements in options reserve

Date	Details	Number of options	\$
1/07/2014	Opening balance	115	77,095
7/09/2015	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 2015

15. SHARE BASED PAYMENTS RESERVE (continued)

There was no movement in the options reserve value in 2014 with 4 options being exercised for \$10,000 (see share capital movements, note 14).

(ii) Summary of options

The following table summarises the options granted above:

	2015		2014	
	Average exercise price	Number of Options	Average exercise price	Number of Options
As at 1 July	\$2,500*	115*	2,500	115
Granted during the period	\$0.20	3,110,000	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Other*	\$2,500	(115)	-	-
As at 30 June	\$0.20	3,110,000	2,500	115
Vested and exercisable	\$0.20	3,110,000		

* These options have been exchanged for shares, refer to note 4(b)(i) above.

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

(iii) 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 model inputs for the options granted during the year ended 30 June 2015 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 fair value of the services could not be reliably measured.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity	
	2015	2014
	\$	\$
16. ACCUMULATED LOSSES		
Opening balance	(1,349,457)	(1,102,930)
Loss for the year	(1,149,202)	(246,527)
Closing balance	(2,498,658)	(1,349,457)

17. FINANCIAL 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	
	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	2,004,974	51,006
Trade and other receivables (a)	126,652	103,026
	2,131,626	154,032
Financial liabilities		
Trade and other payables (b)	(197,220)	(190,944)
Borrowings	(441,891)	(441,891)
Derivative liability at fair value through profit and loss	-	(560,000)
Bank overdraft	-	(15,035)
	(639,111)	(1,207,870)

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

17. FINANCIAL MANAGEMENT (continued)

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:

(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 2015 Consolidated			
Financial assets			
Cash and cash equivalents		1.51%	2,004,974
30 June 2014			
Cash and cash equivalents		3.28%	51,006
Bank overdraft		8.59%	(15,035)

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

Sensitivity

At 30 June 2015, 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 \$5,012 lower / (\$5,012) higher (2014 changes of 0.25% / 0.25%: \$90 lower / (\$90) 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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

17. FINANCIAL MANAGEMENT (continued)*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 2015		30 June 2014	
	USD	JPY	USD	JPY
Trade receivables	25,305	4,099	41,018	77

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	
	2015	2014	2015	2014
	\$	\$	\$	\$
USD/AUD exchange rate - increase 5%	(1,265)	(2,051)	1,265	2,051
USD/AUD exchange rate - decrease 15%	3,796	6,153	(3,796)	(6,153)

(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	
	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	2,004,974	51,006

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	
	2015	2014
	\$	\$
Over 60 days	32,767	53,706

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

17. FINANCIAL MANAGEMENT (continued)

(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.

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	Less than 6 Months	6 - 12 Months	Between 1 and 2 years	Between 2 and 5 years	Total Contractual Cash Flows	Carrying Amount
As at 30 June 2015	\$	\$	\$	\$	\$	\$
<i>Non-derivatives</i>						
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
<i>Derivatives</i>						
Derivatives liability at fair value through profit and loss	-	-	-	-	-	-
Total derivative	-	-	-	-	-	-

As at 30 June 2014

Non-derivatives

Trade payables	126,314	-	-	-	126,314	126,314
Bank overdraft	15,035	-	-	-	15,035	15,035
Borrowings	15,509	15,339	31,017	466,383	528,247	441,891
Total non-derivative	156,858	15,339	31,017	466,383	669,597	583,241

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

17. FINANCIAL MANAGEMENT (continued)*Derivatives*Derivatives liability at
fair value through
profit and loss

Total derivative

-	-	-	-	-	560,000
-	-	-	-	-	560,000

Financing arrangements

The Group has a \$50,000 overdraft facility with its financial institution in place as at 30 June 2015.

(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.

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

The assessment of the fair values and the input to the calculation have been disclosed in the relevant note to the statement of financial position item. All valuation methods are considered to be level 3 measurements as one or more significant inputs is not based on observable market data (at the time of the transaction).

The directors have taken the view that the IPO price (once set) is a reasonable estimate of the fair value of equity instruments issued for share transactions given the focus of the Group for the last 12 months has been to list of the stock exchange.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2015 - Consolidated				
Liabilities				
liability at fair value through profit and loss	-	-	-	-
30 June 2014 -				
Liabilities				
liability at fair value through profit and loss	-	-	560,000	560,000

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

17. FINANCIAL MANAGEMENT (continued)

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.

18. CONSOLIDATED ENTITIES

Name of entity	Class of share	Country of Incorporation	Equity holding		Cost of Company	
			2015	2014	2015	2014
			\$	\$	\$	\$
<i>Accounting Parent</i>						
Proteomics International Pty Ltd		Australia	100	-	5,250,000	-
<i>Legal Parent</i>						
Proteomics International Laboratories Ltd	Ordinary	Australia		-	-	

19. REMUNERATION OF AUDITORS

	Consolidated Entity 2015	2014
	\$	\$
(a) Audit services		
- BDO Audit (WA) Pty Ltd	20,000	23,973
(b) Non-audit services		
- BDO Corporate Finance	9,300	-
- BDO Taxation	4,713	-

20. COMMITMENTS

Laboratory access fees

	Consolidated Entity 2015	2014
	\$	\$
Within one year		
Later than one year but no later than five years	94,705	94,705
Later than five years	36,705	121,410
	-	-
	131,410	216,115

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

21. RELATED PARTIES

	Consolidated Entity 2015 \$	2014 \$
(a) Key management personnel compensation		
Short-term employee benefits	209,054	122,000
Post-employment benefits	18,649	12,904
Share based payments	145,484	-
	373,187	134,904

(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 15(a).

(c) Transactions with KMP's

The following loans were provided by Key Management Personnel during the year:

	Consolidated Entity 2015 \$	2014 \$
Beginning of the year	441,891	581,450
Loans advanced	221,130	-
Loans repaid	(221,130)	(139,559)
End of year balance	441,891	441,891
Interest charged (i)	35,410	27,843
Interest paid	(27,843)	(22,686)

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

The Company also entered into two separate transactions with Key Management Personnel for convertible notes 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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

21. RELATED PARTIES (continued)

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.

(d) Equity Instruments relating to Key Management Personnel

(i) Option holdings

Option Holder	Balance at start of year	Purchased	Expired / Exercised	Balance at the end of the year	Unvested	Vested and exercisable
T Sweet	-	2,500,000	-	2,500,000	-	2,500,000

(ii) Shares

Shareholder	Balance at start of year	Received from exercise of options	Other Changes	Balance at the end of the year
T Sweet	-	-	1,035,500	1,035,500
R Lipscombe	758	-	16,140,523	16,141,281
J Dunlop	197	-	5,304,991	5,305,188
W Parker	325	-	6,277,269	6,277,594



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

22. SHARE BASED PAYMENTS

(a) 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

On 16 April the Company issued 175 performance rights to directors.

A summary of the rights granted by the Company to the directors during the year 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	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	-

Fair Value of Rights Granted

The assessed fair value at grant date of the underlying share was \$0.20 (being the listing price at the date of issue) and the maximum number of shares that can be issued under the plan is 10,000,000 shares. The fair value is therefore \$2,000,000.

The total expense arising from the performance rights share based payments transactions recognised during the period were as follows:

	Consolidated Entity 2015 \$	2014 \$
Performance rights - Share based payments expense	145,484	-
	145,484	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

22. SHARE BASED PAYMENTS (continued)

(b) Share based payments to consultants

During the year 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
					<u>616,419</u>

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

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.

23. DIVIDENDS

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

24. ACQUISITION

During the period, 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 applied continuation accounting in the preparation of the financial statements.

The total number of shares issued to the shareholders of PIPL was 26,250,000 with the fair value per share being the IPO price of \$0.20.

25. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities for the year ended 30 June 2015.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

26. SEGMENT REPORTING

Full-year ended 30 June 2015	Operational	Corporate	Total
	\$	\$	\$
Segment revenue			
Total segment revenue	596,580	11,815	608,394
Inter segment sales	-	-	-
Revenue from external customers	596,580	11,815	608,394
<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 expenses	-	(145,484)	(145,484)
Income tax expense	(18,229)	-	(18,229)
Profit / (loss) after income tax expense	(619,057)	(888,189)	(1,507,246)
Full-year ended 30 June 2014	\$	\$	\$
Segment revenue			
Total segment revenue	479,872	-	479,872
Inter segment sales	-	-	-
Revenue from external customers	479,872	-	479,872
<i>Income / (Expenses)</i>			
Interest income	3,728	-	3,728
Interest expenses	(34,321)	-	(34,321)
Depreciation	(3,374)	-	(3,374)
Income tax (expense) / benefit	2,967	-	2,967
Profit / (loss) before income tax expense	(894,737)	-	(894,737)
Segment assets			
At 30 June 2015	548,399	3,165,744	3,714,143
At 30 June 2014	392,947	-	392,947
Segment liabilities			
At 30 June 2015	1,889,459	19,399	1,908,858
At 30 June 2014	1,292,619	-	1,292,619



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

26. SEGMENT REPORTING (continued)

	Consolidated Entity	
	2015	2014
	\$	\$
Revenue from external customers - segments	608,394	479,872
Revenue from external customers - total	608,394	479,872
Reconciliation of Profit / (loss)		
Profit / (loss) before income tax expense - segments	(1,507,246)	(894,737)
R&D Tax Incentive	309,010	111,366
Grant Income	49,035	536,844
Profit / (loss) before income tax expense from continuing operations	(1,149,201)	(246,527)
Total segment assets	3,714,143	392,947
Elimination (inter-company loan)	(1,181,845)	
Total assets	2,532,298	392,947
Total segment liabilities	1,908,858	1,292,619
Elimination (inter-company loan)	(1,181,845)	
Total liabilities	727,013	1,292,619

27. Earnings per share

	Consolidated Entity	
	2015	2014
	\$	\$
Profit/(loss) attributable to ordinary shareholders	(1,149,201)	(246,527)
Weighted average number of ordinary shares*	26,338,374	19,634,921
Balance at the beginning of the year	1,359	1,359
Effect of shares issued 30 September 2014	19,633,562	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	-
	26,338,374	19,634,921

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

28. SUBSEQUENT EVENTS

On 11 September 2015 the Company announced a non-renounceable entitlement issue of 1 Option for every 4 Shares held at an issue price of \$0.01 per Option to raise up to \$126,454. The maximum number of Options to be issued will be approximately 12,645,363 and the Options have an exercise price of \$0.20 and will expire on 31 March 2018. There were additional subsequent events which would have a material effect on the Group's operations.

29. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, PILL, as at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2015 \$	2014 \$
Current assets	3,165,744	-
Non-current assets	5,250,000	-
Total Assets	8,415,744	-
Current liabilities	19,399	-
Non-current liabilities	-	-
Total Liabilities	19,399	-
Issued Capital	8,921,490	-
Accumulated Losses	(784,909)	-
Reserves	259,763	-
Total Equity	8,396,345	-
Loss for the year	784,909	-
Other comprehensive income / (loss) for the year	-	-
Total other comprehensive income / (loss) for the year	784,909	-

Contingent liabilities of the parent entity

The Company is not aware of any material contingent liabilities for the year ended 30 June 2015.

Commitments of the parent entity

The Company does not have any on-going commitments.

30. Interests in other entities

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

31. Deed of cross guarantee

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

32. 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 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 2015 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 2015, 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: 30 September 2015



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 2015, 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 entity 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(a), 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 2015 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(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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 Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 30 September 2015



SHAREHOLDER INFORMATION

Details of securities as at 25 September 2015:

Top holders

The 20 largest registered holders of each class of quoted security as at 25 September 2015 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	LIPSCOMBE RICHARD JOHN	9,129,691	18.05
2.	LIPSCOMBE RICHARD JOHN <LUK A/C>	7,011,590	13.86
3.	XYLO PL <PARKER FAM A/C>	6,277,594	12.41
4.	DUNLOP JOHN SUTHERLAND R	3,805,188	7.52
5.	RANDOLPH RES PL	1,500,000	2.97
6.	SPARROW HLDGS PL <SWEET S/F A/C>	1,035,500	2.05
7.	LOCK PATRICIA	965,784	1.91
8.	GOULD DARLENE VALERIE	797,915	1.58
9.	MOSES JAMES OWEN	550,000	1.09
10.	EPSTEIN M Y L + R C M <EPSTEIN S/F A/C>	540,621	1.07
11.	BOHRINGER MARIE JOYCE	500,000	0.99
12.	MOSES J O + JACOBS M A <DRAGON S/F A/C>	425,000	0.84
13.	SCINTILLA STRATEGIC INV L	405,000	0.80
14.	WONG SUE LYNN	386,313	0.76
15.	TECHINVEST HLDGS PL <ANM A/C>	375,000	0.74
16.	TRACTION CONS PL	350,000	0.69
17.	CAMBERWELL GYNAECOLOGY CL <SKINNER S/F A/C>	280,000	0.55
18.	K S CAP PL	274,100	0.54
19.	RJQ PL	256,601	0.51
20.	KAWECKI MIECZYSLAW + M D <MAX KAWECKI S/F A/C>	250,030	0.49
		35,115,927	69.42

Distribution schedule

A distribution schedule of each class of equity security as at 25 September 2015:

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	58	18,620	0.04
1,001 - 5,000	130	428,522	0.85
5,001 - 10,000	161	1,477,892	2.92
10,001 - 100,000	262	8,480,509	16.77
100,001 - Over	48	40,175,910	79.43
Total	659	50,581,453	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	5,305,188
Xylo Pty Ltd <The Parker Family A/C>	6,277,594



SHAREHOLDER INFORMATION

Restricted securities

Fully paid ordinary shares

Number of Shares	Escrow Period
1,525,938	Restricted securities until 30 September 2015
828,952	Restricted securities until 8 April 2016
29,251,563	Restricted securities until 16 April 2017

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

Number of Options	Escrow Period
3,110,000	Restricted securities until 8 April 2016

Performance rights

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

Unlisted securities

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

Class	Expiry Date	Exercise Price	Number of Options	Number of holders
Options	31 March 18	\$0.20	3,110,000	3

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 2,381 as at 25 September 2015):

Holders	Units
99	87,594

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.



SHAREHOLDER INFORMATION

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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