

## APPENDIX 4E - PRELIMINARY FINAL REPORT

### For the year ended 30 June 2016

#### 1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2016. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2015.

#### 2. Results for Announcement to the Market

	30 June 2016 \$	30 June 2015 \$	% Increase (decrease)
Revenue from continuing operations	1,825,018	1,043,269	74.9%
Net loss from ordinary activities after tax attributable to members	(3,026,598)	(2,659,120)	(13.8)%
Net loss for the period attributable to members	(3,026,598)	(2,659,120)	(13.8)%
Losses per share (cents per share)	(4.2)	(5.2)	19.2%
Net Tangible Assets (cents per share)	6.4	10.8	(40.7)%

No dividends were paid during the financial year and none are proposed to be paid.

No control was gained over any new entities nor control lost over any existing entities of the group.

The company has no interest in any joint ventures at the date of this report.

#### 3. Highlights

##### Financial Growth

- FY2016 was another year of strong sales growth for the Company with sales revenue of \$1.825 million representing a 74.9% increase on 2015 sales and a 3-year CAGR of 92%
- Net cash used in operating activities was reduced by 7.9% on FY15 despite the significant company growth and expansion
- Operating loss for FY16 includes a full twelve months non-cash share based payments expense and depreciation of \$973,000, up from \$357,000 in FY15 which included only three months share based payments expense
- Sales of the specialist (Research Use Only) respiratory kits contributed 20% of FY16 revenue
- The June quarter was the strongest for sales revenue, recording \$495,000
- Strong sales growth was reported for each quarter in FY16, growing on the equivalent corresponding quarter in FY15, demonstrating that Genetic Signatures is achieving its

financial growth goals as it continues with global market reach and product range expansion strategies

- The Company's operations were expanded via additional staff and manufacturing facilities to assist with developing and producing an expanded product suite

## **Global Market Reach Expansion**

### **North America**

- Direct sales and support model with established and experienced US team now in progress
- Further progress toward full US product suite commercialisation was achieved in FY2016 with:
  - United States Food and Drug Administration (FDA) listing for two clinical sample concentrators (SP001 and SP003 Sample Processing Kit)
  - Developing and launching an Analyte Specific Reagents (ASR) product range at the largest microbiology conference in the US, ASM Microbe in June 2016. ASRs allow uptake of Genetic Signatures products and technology by up to 11,000 laboratories regulated by the Clinical Laboratory Improvement Act (CLIA)
  - A successful collaboration with the University of California, Los Angeles (UCLA) was completed via a product evaluation, which showed improved pathogen detection of Genetic Signatures *EasyScreen*<sup>™</sup> kits compared to traditional methods. UCLA intend to publish the successful findings
- Health Canada certified the Company's Quality Management System (QMS), clearing the path for registered *In Vitro Diagnostic* (IVD) sales into the Canadian market

### **Europe**

- A full time European Director of Sales and Support, Mr Ronald Burggrave, was appointed in FY16 to develop and support the European market and drive market penetration
- Distributors have now been appointed in Italy, Israel, Poland and Ireland with *EasyScreen*<sup>™</sup> distribution agreements for Ireland and Poland signed in FY16
- Product trials and hospital tender applications are in progress with first significant recurring revenues expected in FY17
- A mix of direct sales and distributors are being pursued in Europe
- The Company presented at the 26<sup>th</sup> European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Amsterdam where key distribution opportunities were identified
- Strong client engagement has been established for upcoming products

## **Product Range Expansion**

- The product development team was significantly expanded in FY16 to accelerate product development and release of new products to market
- Further revenue growth will be driven by the following kits which are in active development:
  - A second generation respiratory assay
  - A sexually transmitted infection panel
  - An antibiotic resistance panel, including extended spectrum beta-lactamase (ESBL) and carbapenemase producing organisms (CPO)
  - An atypical Pneumonia assay
  - A *Flavivirus* assay (including Zika, Dengue, Yellow Fever, etc.)
  - A meningitis panel

## **Upcoming Activities**

- The focus remains on financial growth, global market share expansion and product range extension in FY17
- European & North American sales revenues are expected to contribute in FY17
- Regulatory approval is being sought for additional products and for existing products in additional markets such as US, Canada and Europe
- Two new products will be released into the Australian market in FY2017, and will form the basis for subsequent approvals and release in the EU and US
- A sexually transmitted infection panel will commence clinical validation in Australia in Q1 FY17
- European distribution and sales networks are anticipated to ramp up after strengthened resources and expertise acquired and Sales and Support Director settled
- USA market presence increased after ASM Microbe exhibition and formal launch of ASR range and UCLA validation trial outcome
- USA FDA approval process to be commenced for two products including the Enteric Protozoan Kit

## **4. Financial Overview, Discussion and Analysis of Results**

Genetic Signatures achieved record sales revenues of over \$1.825 million in the financial year ended 30 June 2016 underscoring the success of its market penetration strategy and the market's acceptance of its *EasyScreen*<sup>™</sup> Detection Kits. Net cash used in operating activities was reduced by 7.9% on FY15 despite the significant company growth and expansion.

The Company posted a net loss for FY16 of \$3,026,598 representing a 13.8% increase on the previous year. The operating loss for FY16 includes a full twelve months non-cash share based

payments expense and depreciation of \$973,000, up from \$357,000 in FY15 which included only three months share based payments expense.

Expenses for FY16 totalled \$6,384,164 a 35.5% increase over last year (June 2015: \$4,712,491). The Research and Development Tax Concession resulted in \$969,095 in 2015 and it is anticipated that this years' amount will be in excess of \$1.4M.

Sales revenue of \$1,825,018 showed a 74.9% increase over last year (2015: \$1,043,269). The net cash used in operating activities was reduced by 7.9% on FY15. The Company's net loss for the year to 30 June 2016 was \$3,026,598 compared to a net loss of \$2,659,120 for the previous corresponding period.

Genetic Signatures' current assets at 30 June 2016 were \$5,233,693 (June 2015: \$7,058,672), with current liabilities of \$1,276,099 (June 2015: \$737,783).

The Company's cash balance at the end of the period was \$2,564,254

## 5. Audit status

This report is based on accounts that are in the process of being audited.

## 6. Attachments forming part of Appendix 4E

Genetic Signatures Limited 2016 Financial Statements

For further information, see our website ([www.geneticsignatures.com](http://www.geneticsignatures.com)) or contact us as below:

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**About Genetic Signatures Limited:** Genetic Signatures is a specialist molecular diagnostics (MDx) company focused on the development and commercialisation of its proprietary platform technology, 3Base™. Genetic Signatures designs and manufactures a suite of real-time Polymerase Chain Reaction (PCR) based products for the routine detection of infectious diseases under the *EasyScreen*™ brand. Genetic Signatures' proprietary MDx 3Base™ platform technology provides high-volume hospital and pathology laboratories the ability to screen for a wide array of infectious pathogens, with a high degree of specificity, in a rapid throughput (time-to-result) environment. Genetic Signatures' current target markets are major hospital and pathology laboratories undertaking infectious disease screening.

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

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

	<i>Consolidated</i>	
	2016	2015
	\$	\$
<b>Sales Revenue</b>	1,825,018	1,043,269
Other income	1,532,548	1,010,102
Cost of goods sold	(461,530)	(395,146)
Employee benefits expense	(3,392,865)	(1,825,050)
Directors' and consultancy fees	(461,250)	(408,199)
Depreciation and amortisation expenses	(399,309)	(205,553)
Finance Costs	(1,126)	(454)
Rental expenses relating to operating leases	(186,717)	(139,307)
Scientific consumables	(554,578)	(350,818)
Travel and accommodation	(167,359)	(160,179)
Other expenses	(759,430)	(1,227,784)
Loss before income tax	(3,026,598)	(2,659,120)
Income tax benefit	-	-
Loss attributable to members of the entity	<b>(3,026,598)</b>	<b>(2,659,120)</b>
Other comprehensive income	-	-
Total comprehensive income for the year	<b>(3,026,598)</b>	<b>(2,659,120)</b>

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

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,564,254	5,461,686
Trade and other receivables	485,216	436,401
Inventory	754,336	191,489
Government grant receivable	1,429,887	969,095
<b>Total Current Assets</b>	<b>5,233,693</b>	<b>7,058,672</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	729,471	741,441
<b>Total Non-Current Assets</b>	<b>729,471</b>	<b>741,441</b>
<b>Total Assets</b>	<b>5,963,164</b>	<b>7,800,112</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	931,286	443,341
Provisions	344,813	294,442
<b>Total Current Liabilities</b>	<b>1,276,099</b>	<b>737,783</b>
<b>Non-Current Liabilities</b>		
Provisions	7,360	5,360
<b>Total Non-Current Liabilities</b>	<b>7,360</b>	<b>5,360</b>
<b>Total Liabilities</b>	<b>1,283,459</b>	<b>743,143</b>
<b>Net Assets</b>	<b>4,679,705</b>	<b>7,056,969</b>
<b>Equity</b>		
Issued capital	32,547,402	32,501,357
Reserves	738,001	151,046
Accumulated losses	(28,605,698)	(25,595,434)
<b>Total Equity</b>	<b>4,679,705</b>	<b>7,056,969</b>

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

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

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

Consolidated	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>25,545,553</b>	-	<b>(22,936,314)</b>	<b>2,609,239</b>
Profit or loss	-	-	(2,659,120)	(2,659,120)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(2,659,120)	(2,659,120)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-
Contributions of equity, net of transaction costs	6,955,804	-	-	6,955,804
Share-based payments	-	151,046	-	151,046
<b>Balance at 30 June 2015</b>	<b>32,501,357</b>	<b>151,046</b>	<b>(25,595,434)</b>	<b>7,056,969</b>
Profit or loss	-	-	(3,026,598)	(3,026,598)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,026,598)	(3,026,598)
<i>Transactions with owners in their capacity as owners:</i>	-	12,949	-	12,949
Contributions of equity, net of transaction costs	46,045	-	-	46,045
Forfeiture of share-based payments	-	(16,334)	16,334	-
Share-based payments	-	590,340	-	590,340
<b>Balance at 30 June 2016</b>	<b>32,547,402</b>	<b>738,001</b>	<b>(28,605,698)</b>	<b>4,679,705</b>

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

**GENETIC SIGNATURES PTY LIMITED**  
**ABN: 30 095 913 205**

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,887,511	989,771
Payments to suppliers and employees	(5,512,147)	(4,433,042)
Interest received	83,230	41,007
Research and development concession received	969,095	607,122
Net cash used in operating activities	(2,572,311)	(2,795,142)
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(371,166)	(551,683)
Net cash used in investing activities	(371,166)	(551,684)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of costs	-	6,955,804
Proceeds from conversion of employee share ownership plan restricted shares	60,000	-
Public offer expenditure and share issue costs	(13,955)	-
Net cash provided by financing activities	46,045	6,955,804
<b>Net increase in cash and cash equivalents</b>	(2,897,432)	3,608,979
Cash and cash equivalents at beginning of financial year	5,461,686	1,852,707
<b>Cash and cash equivalents at end of financial year</b>	<b>2,564,254</b>	<b>5,461,686</b>

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



**GENETIC SIGNATURES PTY LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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**Note 1. Summary of significant accounting policies**

The preliminary financial report of Genetic Signatures Limited and its subsidiary for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 30 August 2016.

Genetic Signatures Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

**Basis of preparation of consolidated financial report**

This preliminary consolidated financial report has been prepared in accordance with the measurement and recognition criteria of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities.

This preliminary consolidated financial report for the year ended 30 June 2016 does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Genetic Signatures Limited during the year in accordance with the continuous disclosure requirements of Australian Securities Exchange Listing Rules.

The same accounting policies and methods of computation have been followed in these preliminary financial statements as compared with the most recent annual financial statements.

**Note 2. Operating segment**

The company is operated under one business segment which was the research and commercialisation of identifying individual genetic signatures to identify diseases and disabilities predominantly based within one geographical location being Sydney, Australia.

*Major customers*

During the year ended 30 June 2016 there were three customers (2015: three) that each contributed over 10% of the consolidated entity's external revenue.

**Geographic locations**

*North America*

The Group's North American business includes the United States and Canada. The Group proposes to sell products in this region and is currently having its products evaluated by the US FDA. Operations are currently based in California, USA.

*Australia*

The Group's head office and manufacturing operation is based in Sydney, Australia.

All revenue is generated within the Australian entity and all non-current assets are held within the Australian entity.

**Note 3. Events occurring after reporting date**

There has not arisen in the interval between the end of the financial year and the date of this report any completed, finalised event or transaction of a material and unusual nature likely in the opinion of the directors of the company to affect significantly the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

**GENETIC SIGNATURES PTY LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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**Note 4. Reconciliation of profit after income tax to net cash flow from operating activities**

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax	(3,026,598)	(2,659,120)
<i>Non cash flows included within loss</i>		
Depreciation	399,309	205,553
Share based payments expenses	590,339	151,046
Interest on convertible notes	-	-
<i>Changes in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	(48,815)	(311,827)
(Increase) in current tax and other assets	(460,791)	(361,973)
(Increase) in inventories	(562,846)	(191,490)
Increase in provisions	49,145	116,177
Increase in payables	487,946	256,492
Net cash outflow from operating activities	<u>(2,572,311)</u>	<u>(2,795,142)</u>