

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2016**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-54878**

**PROPANC HEALTH GROUP CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**33-0662986**

(I.R.S. Employer Identification No.)

**Level 2, 555 Riversdale Road  
Camberwell, VIC, 3124 Australia**  
(Address of principal executive offices)

**61 03 9882 0780**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 721,929,520 shares of common stock as of May 11, 2016.

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PROPANC HEALTH GROUP CORPORATION

Quarterly Report On Form 10-Q  
For The Quarterly Period Ended  
March 31, 2016

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## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements.

The following unaudited interim consolidated financial statements of Propanc Health Group Corporation (referred to herein as the "Company," "we," "us" or "our") are included in this quarterly report on Form 10-Q:

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PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u> <u>2016</u>	<u>June 30, 2015</u>
	<u>(unaudited)</u>	
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,479,026	\$ 107,627
GST tax receivable	21,628	11,647
Prepaid expenses and other current assets	<u>117,096</u>	<u>502,616</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,617,750</b>	<b>621,890</b>
Security deposit	1,687	1,684
Property and equipment, net	<u>3,678</u>	<u>3,494</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,623,115</u></b>	<b><u>\$ 627,068</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 159,323	\$ 236,466
Accrued expenses and other payables	60,627	386,311
Convertible notes and related accrued interest, net	999,089	1,794,375
Loans payable	2,300	27,558
Embedded conversion option liabilities	3,659,506	780,281
Warrant derivative liability	80,630	269,648
Due to directors - related parties	35,168	35,108
Loans from directors and officer - related parties	56,743	79,416
Employee benefit liability	<u>90,602</u>	<u>71,421</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>5,143,988</u></b>	<b><u>3,680,584</u></b>
<b>Commitments and Contingencies (See Note 7)</b>	-	-
<b>STOCKHOLDERS' DEFICIT:</b>		
Series A preferred stock, \$0.01 par value; 10,000,000 shares authorized; 500,000 and 500,000 shares issued and outstanding as of March 31, 2016 and June 30, 2015, respectively	5,000	5,000
Series B preferred stock, \$0.01 par value; 5 shares authorized; 1 and 1 share issued and outstanding as of March 31, 2016 and June 30, 2015, respectively	-	-
Common stock, \$0.001 par value; 2,000,000,000 shares authorized; 602,454,054 and 347,442,013 shares issued and outstanding as of March 31, 2016 and June 30, 2015, respectively	602,455	347,442
Additional paid-in capital	23,415,658	17,458,745
Accumulated other comprehensive income (loss)	(25,445)	100,968
Accumulated deficit	<u>(27,518,541)</u>	<u>(20,965,671)</u>
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b><u>(3,520,873)</u></b>	<b><u>(3,053,516)</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b><u>\$ 1,623,115</u></b>	<b><u>\$ 627,068</u></b>

The accompanying unaudited condensed notes are an integral part of these unaudited consolidated financial statements.

PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	Three Months Ended March		Nine Months Ended March 31,	
	31,			
	2016	2015	2016	2015
<b>REVENUE</b>				
Revenue	\$ -	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>				
Administration expenses	775,216	504,724	2,620,324	980,637
Occupancy expenses	5,235	2,366	15,062	7,710
Research and development	510,301	9,475	806,578	15,797
<b>TOTAL OPERATING EXPENSES</b>	<u>1,290,752</u>	<u>516,565</u>	<u>3,441,964</u>	<u>1,004,144</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,290,752)</u>	<u>(516,565)</u>	<u>(3,441,964)</u>	<u>(1,004,144)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(1,104,315)	(199,287)	(2,678,604)	(847,942)
Interest income	-	13	2,027	16
Other expense	-	-	-	(50,002)
Change in fair value of derivative liabilities	57,118	(42,802)	(494,772)	79,940
Gain (loss) on debt settlements, net	-	331,457	(58,893)	366,341
Foreign currency transaction gain (loss)	186,070	(27,066)	47,366	(209,678)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(861,127)</u>	<u>62,315</u>	<u>(3,182,876)</u>	<u>(661,325)</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(2,151,879)</u>	<u>(454,250)</u>	<u>(6,624,840)</u>	<u>(1,665,469)</u>
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<u>(30)</u>	<u>-</u>	<u>71,970</u>	<u>79,302</u>
<b>NET INCOME (LOSS)</b>	<u>(2,151,909)</u>	<u>(454,250)</u>	<u>(6,552,870)</u>	<u>(1,586,167)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Foreign currency translation gain (loss)	<u>(238,292)</u>	<u>131,659</u>	<u>(126,413)</u>	<u>349,796</u>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ (2,390,201)</u>	<u>\$ (322,591)</u>	<u>\$ (6,679,283)</u>	<u>\$ (1,236,371)</u>
<b>BASIC AND DILUTED NET LOSS PER SHARE</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
<b>BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<u>510,808,665</u>	<u>201,772,426</u>	<u>419,957,374</u>	<u>124,223,579</u>

The accompanying unaudited condensed notes are an integral part of these unaudited consolidated financial statements.

PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	<b>Nine Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (6,552,870)	\$ (1,586,167)
<u>Adjustments to Reconcile Net loss to Net Cash Used in Operating Activities:</u>		
Issuance and amortization of common stock for services	1,359,874	199,727
Issuance of preferred stock for services	-	1,067
(Gain) loss on settlement	58,893	(366,341)
Settlement fees paid in the form of debt	-	150,000
Foreign currency transaction loss (gain)	(47,366)	77,661
Depreciation expense	507	18
Amortization of debt discount	2,235,257	167,535
Change in fair value of derivative liabilities	494,772	(79,940)
Accretion of put premium	914,412	598,103
<u>Changes in Assets and Liabilities:</u>		
GST receivable	(9,961)	(5,560)
Prepaid expenses and other assets	(246,311)	20,644
Accounts payable	(77,543)	5,322
Employee benefit liability	19,060	17,531
Accrued expenses	(326,341)	87,818
Accrued interest	(27,527)	15,041
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,205,144)</b>	<b>(697,541)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(676)	(918)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(676)</b>	<b>(918)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan repayments to directors and officer	(21,491)	(20,000)
Loan repayments	(23,843)	-
Proceeds from convertible promissory notes	4,177,500	675,500
Repayments of convertible promissory notes	(463,976)	-
Proceeds from issuance of common stock for cash	-	29,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,668,190</b>	<b>684,500</b>
Effect of exchange rate changes on cash	(90,971)	94,508
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,371,399</b>	<b>80,549</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>107,627</b>	<b>87,799</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 1,479,026</b>	<b>\$ 168,348</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
<b>Cash paid during the period:</b>		
Interest	\$ -	\$ -
Income Tax	\$ -	\$ -
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Common stock issued for settlement of debt	\$ -	\$ 152,285
Prepaid common stock issued for services	\$ 72,757	\$ 134,373
Reduction of put premium related to conversions of convertible note	\$ 1,034,454	\$ 37,032
Conversion of convertible notes and accrued interest to common stock	\$ 3,817,285	\$ 206,940
Discounts related to warrants issued with convertible debenture	\$ 1,666,635	\$ -
Discounts related to lender costs	\$ -	\$ 48,500
Discounts related to derivative liability	\$ 2,205,925	\$ -
Conversion of loan payable to common stock	\$ -	\$ 66,389

The accompanying unaudited condensed notes are an integral part of these unaudited consolidated financial statements.



**PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**  
**(unaudited)**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

Nature of Operations

Propanc PTY LTD was incorporated in Melbourne, Victoria Australia on October 15, 2007, and is based in Richmond, Victoria Australia. Since inception, substantially all of the efforts of the Company have been the development of new cancer treatments targeting high risk patients who need a follow up, nontoxic, long term therapy which prevents the cancer from returning and spreading. The Company anticipates establishing global markets for its technologies.

On November 23, 2010, Propanc Health Group Corporation ("the Company", "we", "us", "our") was incorporated in the state of Delaware. In January 2011, to reorganize the Company, Propanc Health Group Corporation acquired all of the outstanding shares of Propanc PTY LTD on a one-for-one basis making it a wholly-owned subsidiary.

Basis of Presentation

The interim unaudited consolidated financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations for the three and nine months ended March 31, 2016 and 2015 and cash flows for the nine months ended March 31, 2016 and 2015 and our financial position as of March 31, 2016 have been made. The results of operations for such interim periods are not necessarily indicative of the operating results to be expected for the full year.

Certain information and disclosures normally included in the notes to the annual audited consolidated financial statements have been condensed or omitted from these interim unaudited consolidated financial statements. Accordingly, these interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2015. The June 30, 2015 balance sheet is derived from those statements.

Principals of Consolidation

The unaudited consolidated financial statements include the accounts of Propanc Health Group Corporation and its wholly-owned subsidiary, Propanc PTY LTD. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates in the accompanying unaudited consolidated financial statements include the estimates of useful lives for depreciation, valuation of derivatives, valuation of beneficial conversion features on convertible debt, allowance for uncollectable receivables, valuation of equity based instruments issued for other than cash, the valuation allowance on deferred tax assets and foreign currency translation due to certain average exchange rates applied in lieu of spot rates on transaction dates.



**PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**  
**(unaudited)**

Foreign Currency Translation and Other Comprehensive Income (Loss)

The Company's functional currency is the Australian dollar (AUD). For financial reporting purposes, the Australian dollar has been translated into United States dollars (\$) and/or USD as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. Equity transactions are translated at each historical transaction date spot rate. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity (deficit) as "accumulated other comprehensive income (loss)." Gains and losses resulting from foreign currency transactions are included in the statements of operations and other comprehensive income (loss) as other income (expense). There have been no significant fluctuations in the exchange rate for the conversion of Australian dollars to USD after the balance sheet date.

Other Comprehensive Income (Loss) for all periods presented, includes only foreign currency translation gains (losses).

Changes in Accumulated Other Comprehensive Income (Loss) by Component during the nine months ended March 31, 2016 was as follows:

		Foreign Currency Items:
Beginning balance, June 30, 2015	\$	100,968
Foreign currency translation loss		(126,413)
Ending balance, March 31, 2016	\$	(25,445)

Fair Value of Financial Instruments and Fair Value Measurements

The Company measures their financial assets and liabilities in accordance with US GAAP. For certain of the Company's financial instruments, including cash and cash equivalents, accounts and other receivables, accounts payable and accrued expenses and other liabilities, the carrying amounts approximate fair value due to their short maturities. Amounts recorded for loans payable, also approximate fair value because current interest rates available to us for debt with similar terms and maturities are substantially the same.

The Company adopted accounting guidance for fair value measurements of financial assets and liabilities. The adoption did not have a material impact on the Company's results of operations, financial position or liquidity. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

**PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**  
**(unaudited)**

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less with financial institutions, and bank overdrafts. Bank overdrafts are reflected as a current liability on the balance sheets. There were no cash equivalents as of March 31, 2016 or June 30, 2015.

Patents

Patent costs are stated at cost and reclassified to intangible assets and amortized on a straight-line basis over the estimated future periods if and once the patent has been granted by a regulatory agency, however, the Company will expense any costs as long as the Company is in the startup stage. Accordingly, as the Company's product was and is not currently approved for market, thus any patent costs incurred from 2013 through 2016 were expensed immediately. Currently, the Company has five international patents pending which was jointly applied for by the Company and another entity.

For its lead patent, the Company received grant status, or has been accepted in South Africa, Australia, Japan and New Zealand. In addition, the United States Patent and Trademark Office or USPTO and European Patent Office or EPO have made preliminary indications that key features of the Company's technology are patentable. The Company is presently working towards securing a patent in each region, covering as many aspects of its technology as possible, whilst also actively seeking protection throughout Eastern Europe, Asia and South America.

Individual countries and regions where the Company is actively seeking protection for its lead patent include United States, Canada, Japan, Brazil, China, Mexico, Hong Kong, Singapore, Israel, Chile, Peru, Malaysia, Vietnam, Indonesia, Europe, Russia, India, and South Korea. The patent is now granted, or accepted in South Africa, Australia, and New Zealand.

Of the four remaining patents, the Company has either filed an application, or is presently under examination in the country of origin. Two patents have been filed in the United States, one in Spain and another in Australia.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, Long-lived assets, which include property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable.

Australian Goods and Services Tax (GST)

Revenues, expenses and balance sheet items are recognized net of the amount of GST except payable and receivable balances which are shown inclusive of GST. The GST incurred is payable on revenues to, and recoverable on purchases from, the Australian Taxation Office.

Cash flows are presented in the statements of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

As of March 31, 2016 and June 30, 2015 the Company was owed \$21,628 and \$11,647 from the Australian Taxation Office. These amounts were fully collected subsequent to the balance sheet reporting dates.

**PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**  
**(unaudited)**

Derivative Instruments

ASC Topic 815, *Derivatives and Hedging* (“ASC Topic 815”), establishes accounting and reporting standards for derivative instruments and for hedging activities by requiring that all derivatives be recognized in the balance sheet and measured at fair value. Gains or losses resulting from changes in the fair value of derivatives are recognized in earnings or recorded in other comprehensive income (loss) depending on the purpose of the derivatives and whether they qualify and have been designated for hedge accounting treatment. The Company does not have any derivative instruments for which it has applied hedge accounting treatment.

Convertible Notes With Variable Conversion Options

The Company has entered into convertible notes, some of which contain variable conversion options, whereby the outstanding principal and accrued interest may be converted, by the holder, into common shares at a fixed discount to the price of the common stock at the time of conversion. The Company treats these convertible notes as stock settled debt under ASC 480 and measures the fair value of the notes at the time of issuance, which is the result of the share price discount at the time of conversion, and records the put premium as accretion to interest expense to the date of first conversion.

Income Taxes

The Company is governed by Australia and United States income tax laws, which are administered by the Australian Taxation Office and the United States Internal Revenue Service, respectively. The Company follows FASB ASC 740 when accounting for income taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company adopted provisions of ASC 740, Sections 25 through 60, “Accounting for Uncertainty in Income Taxes.” These sections provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a “more-likely-than-not” recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods.

Research and Development Costs and Tax Credits

In accordance with ASC 730-10, research and development costs are expensed when incurred. Total research and development costs for the nine months ended March 31, 2016 and 2015 were \$806,578 and \$15,797 respectively.

The Company may apply for research and development tax concessions with the Australian Taxation Office on an annual basis. Although the amount is possible to estimate at year end, the Australian Taxation Office may reject or materially alter the claim amount. Accordingly, the Company does not recognize the benefit of the claim amount until cash receipt since collectability is not certain until such time. The tax concession is a refundable credit. If the Company has net income then the Company can receive the credit which reduces its income tax liability. If the Company has net losses then the Company may still receive a cash payment for the credit, however, the Company's net operating loss carryforwards are reduced by the gross equivalent loss that would produce the credit amount when the income tax rate is applied to that gross amount. The concession is recognized as an income tax benefit, in operations, upon receipt.

Stock Based Compensation

The Company records stock based compensation in accordance with ASC section 718, “Stock Compensation” and Staff Accounting Bulletin (SAB) No. 107 (SAB 107) issued by the SEC in March 2005 regarding its interpretation of ASC 718. ASC 718 requires the fair value of all stock-based employee compensation awarded to employees to be recorded as an expense over the related requisite service period. The Company values any employee or non-employee stock based compensation at fair value using the Black-Scholes Option Pricing Model.

The Company accounts for non-employee share-based awards in accordance with the measurement and recognition criteria of ASC 505-50 “Equity-Based Payments to Non-Employees”.

**PROPANC HEALTH GROUP CORPORATION AND SUBSIDIARY**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**  
**(unaudited)**

Revenue Recognition

In accordance with SEC Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*, (codified in ASC 605) the Company recognizes revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenues is reasonably assured. Subject to these criteria, the Company recognizes revenue relating to royalties on product sales in the period in which the sale occurs and the royalty term has begun.

Basic and Diluted Net Loss Per Common Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period and, if dilutive, potential common shares outstanding during the period. Potentially dilutive securities consist of the incremental common shares issuable upon exercise of common stock equivalents such as stock options, warrants and convertible debt instruments. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive. As a result, the basic and diluted per share amounts for all periods presented are identical. For the nine months ended March 31, 2016, there were 37,569,634 warrants outstanding and twelve convertible notes payable that are convertible into 520,153,814 common shares respectively which are considered dilutive securities which were excluded from the computation since the effect is anti-dilutive.

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after March 31, 2016 are not expected to have a significant effect on the Company's consolidated financial position or results of operations. The Company is evaluating or has implemented the following at March 31, 2016:

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Topic 205-40)", which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this new standard as of December 31, 2016. The Company does not expect this ASU to have a material impact on its consolidated financial statements.

On May 8, 2015, the FASB issued ASU 2015-08, "*Business Combinations (Topic 805) Pushdown Accounting*" which conforms the FASB's guidance on pushdown accounting with the SEC's guidance. ASU 2015-08 is effective for annual periods beginning after December 15, 2015. As of March 31, 2016, this ASU has not had a material impact on the unaudited consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, "*Simplifying the Presentation of Debt Issuance Costs*," which changes the presentation of debt issuance costs in financial statements. Under this guidance such costs would be presented as a direct deduction from the related debt liability rather than as an asset. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. As of March 31, 2016, this ASU has not had a material impact on the unaudited consolidated balances current presentation.

**NOTE 2 – GOING CONCERN**

The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. For the nine months ended March 31, 2016, the Company had no revenues and had a net loss of \$6,552,870 and net cash used in operations of \$2,205,144. Additionally, as of March 31, 2016, the Company had a working capital deficit, stockholders' deficit and accumulated deficit of \$3,526,238, \$3,520,873, and \$27,518,541 respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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The unaudited consolidated financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

Successful completion of the Company's development program and, ultimately, the attainment of profitable operations are dependent upon future events, including obtaining adequate financing to fulfill its development activities, acceptance of the Company's International patent application and achieving a level of sales adequate to support the Company's cost structure. However, there can be no assurances that the Company will be able to secure additional equity investment or achieve an adequate sales level.

**NOTE 3 – DUE TO DIRECTORS - RELATED PARTIES**

Due to directors - related parties represents unsecured advances made by the directors for operating expenses on behalf of the Company such as intellectual property and formation expenses. The expenses were paid for on behalf of the Company are due upon demand. The Company is currently not being charged interest under these advances. The total amount owed these directors at March 31, 2016 and June 30, 2015 is \$35,168 and \$35,108 respectively.

**NOTE 4 – LOANS**

Loans from Directors and Officer - Related Parties

Loans from Directors and an Officer at March 31, 2016 and June 30, 2015 were \$56,743 and \$79,416, respectively. The loans bear no interest and are all past their due date and in default. The Company repaid cash of \$21,491 (AUD\$29,744) of these loans during the nine months ended March 31, 2016.

Other Loans from Unrelated Parties

As of June 30, 2015, other loans from unrelated parties balance was \$27,558. During the nine months ended March 31, 2016, the Company repaid cash of \$23,843 (AUD\$33,000) and a foreign currency transaction gain of \$1,415 resulting in a balance of \$2,300 as of March 31, 2016.

**NOTE 5 – CONVERTIBLE NOTES**

Convertible notes at March 31, 2016 were as follows:

Convertible notes and debenture	\$ 3,352,199
Unamortized discounts	(2,770,210)
Accrued interest	65,281
Premium	351,819
Convertible notes, net	<u>\$ 999,089</u>

On August 6, 2014 (execution date), the Company executed a convertible promissory note in the principal sum of \$250,000, with an original issue discount ("OID") of \$25,000. The consideration to be paid to the Lender shall be equal to the consideration actually paid by the Lender plus prorated interest and any other fees that the Company shall be required to pay. The original issue discount shall also be prorated based on the actual consideration received to equal approximately 10% of the consideration received. If the Company repays a consideration payment on or before the first 90 days from the effective date of that payment, the interest rate on that payment of consideration will be 0%. If the Company does not repay a payment on or before the 90 days, the Company will incur a one-time interest charge of 12% on the principal amount of the loan. Upon execution of the note, the note holder made an initial payment of \$25,000 (net of a \$2,500 OID) to the Company of the total consideration. The maturity date is two years from the date of each payment to the Company, and is the date upon which the principal sum, as well as any unpaid interest and other fees, shall be due and payable. The note is convertible, at the option of the investor, to common stock of the Company at any time after the effective date at the lesser of \$0.09 or 60% of the lowest trade price in the 25 trading days prior to the conversion. The Company didn't repay the consideration payment on or before the first 90 days from the effective date of that payment and therefore incurred a 12% interest charge. No further funding other than the above mentioned \$25,000 has been received under the \$250,000 note. On December 10, 2015, the Company repaid cash of \$90,000 as payment in full of \$27,500 of principal and accrued interest of \$3,607 resulting in \$58,893 of a penalty which was expensed as loss on debt settlement. As of March 31, 2016, this note was paid in full.

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On February 10, 2015, the Company issued a convertible note payable for \$45,000 with an OID of \$7,500. The Company agreed to pay 8% interest per annum on the principal amount and the maturity date is February 10, 2016. The note is convertible at the option of the holder at any time after 180 days at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days prior to the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$36,818 put premium over 180 days from the execution of the convertible note. During the nine months ended March 31, 2016, the Company has accreted the remaining \$9,409 of the put premium as \$27,409 had been accreted at June 30, 2015, resulting in the put premium being fully expensed. During the nine months ended March 31, 2016, the Company converted \$45,000 of principal and accrued interest of \$1,887 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$36,818 reduction of the put premium. As of March 31, 2016, this note was fully converted.

On February 17, 2015, the Company issued a second convertible note payable for \$45,000 with an OID of \$7,500. The Company agreed to pay 8% interest per annum on the principal amount and the maturity date is February 17, 2016. The note is convertible at the option of the holder at any time after 180 days at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days prior to the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$36,818 put premium over 180 days from the execution of the convertible note. During the nine months ended March 31, 2016, the Company has accreted the remaining \$9,409 of the put premium as \$27,409 had been accreted at June 30, 2015, resulting in the put premium being fully expensed. During the nine months ended March 31, 2016, the Company converted \$45,000 of principal and accrued interest of \$2,229 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$36,818 reduction of the put premium. As of March 31, 2016, this note was fully converted.

On March 12, 2015, the Company issued a third convertible note payable for \$170,500 with an OID of \$13,000. The Company agreed to pay 8% interest per annum on the principal amount and the maturity date is March 12, 2016. The note is convertible at the option of the holder at any time at a rate of 55% of the Company's common stock for the average of the lowest three trading prices in the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company recognized a \$139,500 put premium. During the nine months ended March 31, 2016, the Company converted \$170,500 of principal and accrued interest of \$8,580 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$139,500 reduction of the put premium. As of March 31, 2016, this note was fully converted.

On March 20, 2015, the Company issued a fourth convertible note payable for \$150,000. The Company agreed to pay 8% interest per annum on the principal amount and the maturity date is March 20, 2016. The note is convertible at the option of the holder at any time at a rate of 55% of the lowest trading bid price of the Company's common stock for the average of the lowest three trading priced in the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company recognized a \$122,727 put premium. During the nine months ended March 31, 2016, the Company converted \$150,000 of principal and accrued interest of \$9,436 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$122,727 reduction of the put premium. As of March 31, 2016, this note was fully converted.

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In addition to each of the above initial convertible promissory notes ("initial convertible notes"), the Company issued to each lender another convertible promissory note for the same amounts of \$45,000, \$45,000, \$170,500 and \$150,000 termed "Back-End Notes". These notes have the same terms as the initial convertible notes. Each Back-End Note shall initially be paid for by an offsetting promissory note issued to the Company by the lender ("Note Receivable") provided that prior to the conversion of the Back-End Notes, the holders must have paid off the Notes Receivable in cash. Each Note Receivable is due eight months from issuance of each initial convertible note, unless the Company does not meet the "current public information" requirement pursuant to Rule 144, in which case both the Back-End Notes and the Notes Receivable may both be cancelled. Each Note Receivable is initially secured by the pledge of the Back-End Notes, but may be exchanged for other collateral with an appraised value of at least the principal amount of the note less the OID, upon Company's approval following a three (3) day written notice to the Company. The term of the Notes Receivable and the Back-End Notes are one year, upon which the outstanding principal and interest is payable. The amounts funded plus accrued interest under Back-End Notes are convertible into common stock at any time after the requisite Rule 144 holding period (subject to the condition above for the Back-End Notes), at a conversion price equal to 55% of the lowest trading bid price in the ten (10) trading days prior to the conversion. The \$45,000, \$45,000, \$170,500 and \$150,000 Back-End Notes were issued as noted below.

In the event the Company redeems the initial convertible notes in full, the Company is required to pay off all principal, interest and any other amounts owing multiplied by i) 130% if prepaid within 60 days of the issuance date; ii) 140% if prepaid 60 but less than 121 days after the issuance date; and (iii) 150% if prepaid 120 but less than 180 days after the issuance date. There shall be no redemption after the 180th day. The Back-End Notes may not be prepaid, except that if the initial convertible notes are redeemed by the Company within six months of their issuance, all obligations of the Company and holders under the Back-End Notes and the Notes Receivable will be deemed satisfied and such notes shall automatically be deemed cancelled and of no further force or effect.

In the event of two specific defaults, which include the maintenance of a minimum trading price and an aggregate dollar trading volume of the Company's common shares, the holders may cancel the Back-End Notes and the related Notes Receivable and otherwise in the event of other defaults as defined in the securities purchase agreement, the amount of principal and accrued interest will become immediately due and payable and may be offset by amounts due to the Company by the holders. Additionally, the Back-End Notes will bear default interest at a rate of 24% per annum, or the highest rate of interest permitted by law.

On February 15, 2015, in connection with a six-month consulting agreement, the Company issued a convertible promissory note for \$90,000 as compensation for services to be rendered. The Company agreed to pay 5% interest per annum on the principal amount and the maturity date is August 15, 2015. The note is convertible at the option of the holder at any time after issuance of note at a rate of 60% of the lowest trading price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company fully expensed a \$60,000 put premium. During the nine months ended March 31, 2016, the Company converted \$90,000 of principal and accrued interest of \$5,527 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$60,000 reduction of the put premium. As of March 31, 2016, this note was fully converted.

On March 12, 2015, the Company issued a convertible promissory note for \$104,000. The Company agreed to pay 8% interest per annum on the principal amount and the maturity date is December 16, 2015. The note is convertible at the option of the holder at any time after 180 days at a rate of 58% of the average lowest three trading closing bid prices of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$75,310 put premium over 180 days from the execution of the convertible note. On July 15, 2015, the Company repaid cash of \$137,915 as payment in full of \$104,000 of principal and accrued interest of \$2,872 resulting in \$31,043 of a prepayment penalty which was expensed as interest expense. During the nine months ended March 31, 2016, the Company has accreted \$6,276 of the put premium as \$46,441 had been accreted at June 30, 2015 and this repayment resulted in a \$22,593 reduction of the remaining put premium. As of March 31, 2016, this note was paid in full.

On March 12, 2015, in connection with a two-year consulting agreement, the Company issued a convertible promissory note for \$60,000 as compensation for services to be rendered. The Company agreed to pay 10% interest per annum on the principal amount and the maturity date is March 11, 2017. The note is convertible, at the option of the holder, at any time after the effective date at the lesser of \$0.0175 or 75% of the volume weighted average of the lowest three trading closing bid prices of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. This note was bifurcated with the embedded conversion option recorded as a derivative liability at fair value (See Note 10). During the nine months ended March 31, 2016, the Company converted \$60,000 of principal and accrued interest of \$5,159 into shares of the Company's common stock (See Note 6). As of March 31, 2016, this note was fully converted.

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On April 20, 2015, the Company issued a convertible note payable for \$17,500. The Company agreed to pay 8% interest per annum on the principal amount and the maturity date is April 20, 2016. The note is convertible at the option of the holder at any time at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company recognized a \$14,318 put premium. During the nine months ended March 31, 2016, the Company converted \$16,500 of principal and accrued interest of \$803 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$13,500 reduction of the put premium. Accrued interest as of March 31, 2016 was \$79.

On April 24, 2015, the Company received payment of the Note Receivable of \$45,000, less the OID of \$7,500, that offsets the Back-End Note that was issued on February 10, 2015. Proceeds from the Note Receivable of \$2,250 were paid directly to legal fees resulting in net cash proceeds of \$35,250 received by the Company. This Back-End Note is related to the initial convertible note that was issued on February 10, 2015 and has the same terms as previously discussed. As a result, the Back-End Note is now eligible for conversion at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$36,818 put premium over 180 days from the execution of the convertible note. During the nine months ended March 31, 2016, the Company has accreted the remaining \$22,909 of the put premium as \$13,909 had been accreted at June 30, 2015, resulting in the put premium being fully expensed. During the nine months ended March 31, 2016, the Company converted \$45,000 of principal and accrued interest of \$1,765 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$36,818 reduction of the put premium. As of March 31, 2016, this note was fully converted.

On April 24, 2015, the Company received payment of the Note Receivable of \$45,000, less the OID of \$7,500, that offsets the Back-End Note that was issued on February 17, 2015. Proceeds from the Note Receivable of \$2,250 were paid directly to legal fees resulting in net cash proceeds of \$35,250 received by the Company. This Back-End Note is related to the initial convertible note that was issued on February 17, 2015 and has the same terms as previously discussed. As a result, the Back-End Note is now eligible for conversion at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$36,818 put premium over 180 days from the execution of the convertible note. During the nine months ended March 31, 2016, the Company has accreted the remaining \$22,909 of the put premium as \$13,909 had been accreted at June 30, 2015, resulting in the put premium being fully expensed. During the nine months ended March 31, 2016, the Company converted \$1,000 of principal and accrued interest of \$46 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$818 reduction of the put premium. Accrued interest as of March 31, 2016 was \$3,308.

On April 27, 2015, the Company received payment of the Note Receivable of \$170,500, less the OID of \$13,000, that offsets the Back-End Note that was issued on March 12, 2015. Proceeds from the Note Receivable of \$7,500 were paid directly to legal fees resulting in net cash proceeds of \$150,000 received by the Company. This Back-End Note is related to the initial convertible note that was issued on March 12, 2015 and has the same terms as previously discussed. As a result, the Back-End Note is now eligible for conversion at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company recognized a \$139,500 put premium. During the nine months ended March 31, 2016, the Company converted \$170,500 of principal and accrued interest of \$8,303 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$139,500 reduction of the put premium. As of March 31, 2016, this note was fully converted.



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On May 19, 2015, the Company entered into a Securities Purchase Agreement (“SPA”), to issue a series of nine back end convertible notes in the principal sum of \$782,500, pursuant to the SPA, the Company issued to the lender nine convertible promissory notes termed “Back-End Notes”, in the amounts of \$37,500 (“Back-End Note 1”), \$37,500 (“Back-End Note 2”), \$157,500 (“Back-End Note 3”), \$150,000 (“Back-End Note 4”), \$17,500 (“Back-End Note 5”), \$37,500 (“Back-End Note 6”), \$37,500 (“Back-End Note 7”), \$157,500 (“Back-End Note 8”) and \$150,000 (“Back-End Note 9”). These notes have the same terms as the initial convertible notes. Each Back-End Note shall initially be paid for by an offsetting promissory note issued to the Company by the lender (“Note Receivable”) provided that prior to the conversion of the Back-End Notes, the holders must have paid off the Notes Receivable in cash. Each Note Receivable is due on May 19, 2016, unless the Company does not meet the “current public information” requirement pursuant to Rule 144, in which case both the Back-End Notes and the Notes Receivable may both be cancelled. Each Note Receivable is initially secured by the pledge of the Back-End Notes, but may be exchanged for other collateral with an appraised value of at least the principal amount of the note less the OID, upon Company’s approval following a three (3) day written notice to the Company. The term of the Notes Receivable and the Back-End Notes are one year, upon which the outstanding principal and interest is payable. The amounts funded plus accrued interest under Back-End Notes are convertible into common stock at any time after the requisite Rule 144 holding period (subject to the condition above for the Back-End Notes), at a conversion price equal to 55% of the lowest trading bid price in the ten (10) trading days prior to the conversion. During the nine months ended March 31, 2016, all of the Back-End Notes (an aggregate total principal of \$782,500) were issued as noted below.

The Back-End Notes may not be prepaid, except that if the initial convertible notes are redeemed by the Company within six months of their issuance, all obligations of the Company and holders under the Back-End Notes and the Notes Receivable will be deemed satisfied and such notes shall automatically be deemed cancelled and of no further force or effect.

In the event of two specific defaults, which include the maintenance of a minimum trading price and an aggregate dollar trading volume of the Company’s common shares, the holders may cancel the Back-End Notes and the related Notes Receivable and otherwise in the event of other defaults as defined in the securities purchase agreement, the amount of principal and accrued interest will become immediately due and payable and may be offset by amounts due to the Company by the holders. Additionally, the Back-End Notes will bear default interest at a rate of 24% per annum, or the highest rate of interest permitted by law.

Since the Back-End Notes are not convertible until the Notes Receivable are paid, and the Notes Receivable and Back-End Notes have a right of setoff, the Notes Receivable and Back-End Notes and related accrued interest receivable and payable have been netted for presentation purposes on the accompanying consolidated balance sheet.

On June 2, 2015, the Company received payment of the Note Receivable of \$150,000 that offsets the Back-End Note that was issued on March 20, 2015. Proceeds from the Note Receivable of \$7,500 were paid directly to legal fees resulting in net cash proceeds of \$142,500 received by the Company. This Back-End Note is related to the initial convertible note that was issued on March 20, 2015 and has the same terms as previously discussed. As a result, the Back-End Note is now eligible for conversion at a rate of 55% of the lowest trading bid price of the Company’s common stock for the ten prior trading days including the date upon which the conversion notice was received. The convertible note is treated as stock settled debt under ASC 480 and accordingly the Company recognized a \$122,727 put premium. During the nine months ended March 31, 2016, the Company converted \$125,000 of principal and accrued interest of \$8,849 into shares of the Company’s common stock (See Note 6). Additionally, this conversion resulted in a \$102,273 reduction of the put premium. Accrued interest as of March 31, 2016 was \$2,329.

On June 4, 2015 (execution date), the Company executed a convertible promissory note in the principal sum of \$1,215,000, with an OID of \$110,000. The consideration to be paid to the lender shall be equal to the consideration actually paid by the lender plus prorated interest and any other fees that the Company shall be required to pay. The original issue discount shall also be prorated based on the actual consideration received to equal approximately 10% of the consideration received. The Company agreed to pay 10% interest per annum on the principal amount and the maturity date is ten months from the date of each payment to the Company, and is the date upon which the principal sum, as well as any unpaid interest and other fees, shall be due and payable. The note is comprised of an initial cash purchase of \$335,000 (includes \$30,000 of OID and \$5,000 for legal fees) (“Initial Note”), a Secured Investor Note of \$220,000 (includes \$20,000 of OID) (“Secured Investor Note”) and three Investor Notes of \$220,000 each (include \$20,000 of OID each) (“Investor Notes”). The Secured Investor Note is secured by the lender’s 40% membership interest in a certain LLC. The Company will accrue 10% interest per annum on the unpaid principal amount of the Secured Investor Note and the three Investor Notes as defined in the agreements. Upon execution of the note, the note holder made an initial cash payment of \$300,000 (net of a \$30,000 OID and \$5,000 for legal fees) to the Company of the total consideration and issued the Secured Investor Note and three Investor Notes to the Company. On July 13, 2015, the Company received payment of the Secured Investor Note of \$220,000 less OID of \$20,000, that was issued on June 4, 2015. The Company received interest proceeds of \$1,997 from the Secured Investor Note resulting in net cash proceeds of \$201,997 received by the Company. The Initial Note and the Secured Investor Note are convertible, at the option of the lender, to common stock of the Company at any time after the effective date at a price of \$0.07 per share, which represents fair value at execution date. These notes were determined to be derivative instruments due to the variable conversion price of the notes which is initially \$0.07 and subject to adjustment if the Company’s market capitalization falls below \$3,000,000 at any time. These notes were bifurcated with the embedded conversion option recorded as a derivative liability at fair value (See Note 10). On December 9, 2015, the Company repaid cash of \$269,976 as partial payment for this note. During the nine months ended March 31, 2016, the Company converted \$285,024 of principal and accrued interest of \$29,091 into shares of the Company’s common stock (See Note 6). As of March 31, 2016, this note was fully converted.

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On July 14, 2015, the Company received payment of three Note Receivables of \$352,500, that offset three of the Back-End Notes that were issued on May 19, 2015. Proceeds from the Note Receivables of \$17,690 were paid directly to legal fees resulting in net cash proceeds of \$334,810 received by the Company. These Back-End Note are related to the initial convertible notes that was issued on May 19, 2015 and have the same terms as previously discussed. As a result, these Back-End Notes are now eligible for conversion at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. These convertible notes are treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$288,409 put premium over 180 days from the execution of the convertible notes. During the nine months ended March 31, 2016, the Company has accreted \$288,409 of the put premium resulting in the put premium being fully expensed. During the nine months ended March 31, 2016, the Company converted \$287,500 of principal and accrued interest of \$15,184 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$235,227 reduction of the put premium. Accrued interest as of March 31, 2016 was \$3,558.

On October 1, 2015, the Company received cash of \$1,150,000 (\$1,200,000 less \$50,000 of legal fees) for the Promissory Note issued on September 24, 2015. On September 24, 2015, (the "Issuance Date"), the Company entered into a Promissory Note with a Lender whereby the Lender loaned the Company \$1,200,000 in exchange for the issuance of a Promissory Note (the "Promissory Note"). The Company issued the Promissory Note with a principal amount of \$1,200,000 to the Lender. The Promissory Note has a maturity date of the earlier of: (i) the date on which the Company closes a subsequent equity offering in an amount greater than the principal amount of the Promissory Note; or (ii) June 24, 2016. On its face, the Promissory Note does not accrue any interest. In the event that the Lender does not proceed with a subsequent financing, beginning on the 46<sup>th</sup> day following the Issuance Date, the Note will have a one-time interest adjustment of \$180,000 on the outstanding principal of the Promissory Note. Additionally, if the Lender does not wish to proceed with a subsequent financing, the Promissory Note will also be convertible into common stock at the lower of (i) \$0.0346; or (ii) a twenty percent (20%) discount to the average of the two lowest closing prices of the common stock in the five trading days prior to the date of conversion. In connection with the Promissory Note, the Company entered into a Security Agreement dated September 24, 2015 with the Lender whereby the Company agreed to grant to Lender an unconditional and continuing, first priority security interest in all of the assets and property of the Company to secure the prompt payment, performance and discharge in full of all of Company's obligations under the Promissory Note, provided, however that in the event the Lender does not proceed with a subsequent financing, any and all security interests shall be removed. On October 28, 2015, the Lender proceeded with a subsequent financing. See below as this note was cancelled on October 28, 2015.

On October 14, 2015 and October 15, 2015, the Company received payment of six Note Receivables of \$430,000, that offset the remaining six of the Back-End Notes that were issued on May 19, 2015. Proceeds from the Note Receivables of \$22,265 were paid directly to legal fees resulting in net cash proceeds of \$407,735 received by the Company. These Back-End Note are related to the initial convertible notes that was issued on May 19, 2015 and have the same terms as previously discussed. As a result, these Back-End Notes are now eligible for conversion at a rate of 55% of the lowest trading bid price of the Company's common stock for the ten prior trading days including the date upon which the conversion notice was received. These convertible notes are treated as stock settled debt under ASC 480 and accordingly the Company is accreting a \$351,818 put premium over 180 days from the execution of the convertible notes. During the nine months ended March 31, 2016, the Company has accreted \$351,818 of the put premium resulting in the put premium being fully expensed. During the nine months ended March 31, 2016, the Company converted \$135,000 of principal and accrued interest of \$4,702 into shares of the Company's common stock (See Note 6). Additionally, this conversion resulted in a \$110,455 reduction of the put premium. Accrued interest as of March 31, 2016 was \$11,213.

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On October 28, 2015 (the "Closing Date"), the Company entered into a securities purchase agreement dated as of the Closing Date (the "Purchase Agreement") with a third party purchaser (the "Purchaser"). The Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, the Purchaser will invest \$4,000,000 ("Investment Amount") in exchange for a Convertible Debenture (the "Debenture") in the principal amount of \$4,400,000 (the "Principal Amount") and warrants to purchase an aggregate of 26,190,476 shares of the Company's common stock, par value \$0.001 per share, for an exercise price of \$0.60 per share for a period of four (4) years from the Closing Date (the "Warrants"). Pursuant to the Purchase Agreement, on the Closing Date, the Company issued the Debenture and Warrant to the Purchaser.

On March 11, 2016, the Company entered into an Addendum (the "Addendum") with the Purchaser pursuant to which the Company and the Purchaser agreed to new terms with respect to that certain securities purchase agreement entered into by and between the Company and the Purchaser dated as October 28, 2015.

*Addendum*

Under the Addendum, the Company and the Purchaser agreed that the balance of the deposit control account, after giving effect to the amounts released from such account as of the date of the Addendum, will be released to the Company in two installments as follows: (1) up to \$1,200,000 will be released to the Company upon full execution of the Addendum, and (2) up to \$375,000 within 60 days of the full execution of the Addendum as long as certain conditions have been met.

The Company and the Purchaser agreed that the new conversion price will be \$0.03; provided that in the event that the volume weighted average price per share on any trading day is less than such conversion price, the conversion price will be adjusted to a price per share that is equal to a 22.5% discount to the lowest trading price of the common stock in the 10 trading days prior to the date of conversion. The Company evaluated this note modification under ASC 470-50-40-10 and concluded that it doesn't apply since the conversion option is bifurcated and the 10% cash flow test was not met under ASC 470-50.

Under the Addendum, the Purchaser agreed to limit the number of shares of common stock it sells on any trading day to an amount of shares that is less than 25% of the trading volume of the common stock on that same trading day. The Purchaser and the Company may agree otherwise with respect to this trading limitation.

The Company also agreed to reserve an additional 300,000,000 shares for issuance and to file a registration statement on Form S-1 to register shares covering the resale of all of the additional shares of common stock that are issuable upon conversion of the Debenture, as modified by this Addendum. On March 25, 2016, the Company filed a registration statement with the SEC and on April 19, 2016, the registration statement was deemed effective.

The Company and the Purchaser agreed that the October Financing Documents, as applicable, will continue in effect and remain in place, except to the extent modified by the Addendum.

*Securities Purchase Agreement and Debenture*

Under the terms of the Purchase Agreement, the Purchaser agreed to deliver the Promissory Note entered into by the Company and Purchaser on September 24, 2015 with a principal amount of \$1,200,000 (the "Prior Note") (as noted above). The parties further agreed that the Prior Note was deemed cancelled upon the delivery by the Purchaser to the Company and the amount of the Prior Note is included in the Investment Amount under the Purchase Agreement.

Under the terms of the Purchase Agreement and Debenture, \$2,800,000 of the Investment Amount will be deposited into a deposit control account and such amount will remain in the deposit control account pending the achievement of certain milestones by the Company and the satisfaction of certain equity conditions set forth in the Debenture. Additionally, under the Debenture, the Principal Amount will be reduced by \$25,000 if the Company files a registration statement with the SEC within 30 days following the Closing Date. The Principal Amount will be reduced by an additional \$25,000 if the registration statement is deemed effective within 100 days after the Closing Date. On November 23, 2015, the Company filed a registration statement with the SEC and on December 10, 2015, the registration statement was deemed effective. Both of these conditions were met resulting in a \$50,000 reduction of the Principal Amount such that the aggregate principal amount is \$4,350,000 as of March 31, 2016.

The Purchase Agreement contains customary representations, warranties and covenants by, among and for the benefit of the parties. The Company also agreed to pay up to \$50,000 of reasonable attorneys' fees and expenses incurred by the Purchaser in connection with the transaction. The Purchase Agreement also provides for indemnification of the Purchaser and its affiliates in the event that the Purchaser incurs losses, liabilities, obligations, claims, contingencies, damages, costs and expenses related to a breach by the Company of any of its representations, warranties or covenants under the Purchase Agreement.

The Debenture has a 10% original issue discount and matures on October 28, 2016. The Principal Amount of the Debenture accrues interest at the rate of 5% per annum, payable quarterly in cash (or if certain conditions are met, in stock at the Company's option) on January 1, April 1, July 1 and October 1. The Debenture was, prior to Addendum, convertible at any time, in whole or in part, at the Purchaser's option into shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), at a conversion price equal to \$0.042, which is the volume weighted average price of the Company's Common Stock five days prior to the execution of the Debenture (subject to adjustment) (the "Conversion Price"). At any time after the effective date of the registration statement, the Purchaser has the

opportunity to convert up to an aggregate of \$2,090,000 of the Debenture, at one or more conversion dates, into shares of Common Stock at a conversion price equal to the VWAP of the Common Stock over the five (5) trading days prior to such Effective Date. The Purchaser option to convert at such a conversion price expires when the Purchaser converts an aggregate of \$2,090,000 of the Debenture using such conversion price. If the volume weighted average price of the Company Common Stock on any trading day is less than the Conversion Price, the Purchaser may convert at a price per share equal to a twenty percent (20%) discount to the average of the two lowest closing prices during the five trading days prior to the date of conversion. At no time will the Purchaser be entitled to convert any portion of the Debenture to the extent that after such conversion, the Purchaser (together with its affiliates) would beneficially own more than 4.99% of the outstanding shares of Common Stock as of such date. During the nine months ended March 31, 2016, the Company withdrew a principal amount of \$2,425,000 from the deposit control account, of which \$269,976 was paid directly as partial payment of a note dated June 4, 2015 and \$33,437 were paid directly to legal fees resulting in net cash proceeds of \$2,121,587 received by the Company. An aggregate total of \$3,290,000 of these notes were bifurcated with the embedded conversion option recorded as a derivative liability at fair value (See Note 10). During the nine months ended March 31, 2016, the Company converted \$1,065,301 of principal into shares of the Company's common stock (See Note 6). Accrued interest as of March 31, 2016 was \$44,794.

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The Debenture includes customary event of default provisions, and provides for a default interest rate of 18%. Upon the occurrence of an event of default, the Purchaser may convert the Debenture into shares of Common Stock at a price per share equal to a thirty percent (30%) discount to the average volume weighted average price of the shares for the three trading days prior to conversion.

Subject to the conditions set forth in the Debenture, the Company has the right at any time to redeem some or all of the total outstanding amount then remaining under the Debenture in cash at a price equal to 125% of the total amount of the Debenture outstanding on the twentieth (20th) trading date following the date the Company delivers notice of such redemption to the Purchaser.

The Warrants are exercisable in whole or in part, at an initial exercise price per share of \$0.60, subject to adjustment. The exercise price and number of shares of the Company's common stock issuable under the Warrants (the "Warrant Shares") are subject to adjustments for stock dividends, splits, combinations, subsequent rights offerings and pro rata distributions. Any adjustment to the exercise price shall similarly cause the number of warrant shares to be adjusted so that the total value of the Warrants may increase. In the event that the Warrant Shares are not included in an effective registration statement, the Warrants may be exercised on a cashless basis.

In connection with the execution of the Purchase Agreement, on the Closing Date, the Company and the Purchaser also entered into a registration rights agreement dated as of the Closing Date (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Company has agreed to file an initial registration statement ("Registration Statement") with the SEC to register the resale of the Common Stock into which the Debenture may be converted or the Warrant may be exercised, within 30 days following the Closing Date. The Registration Statement must also be declared effective by the 100th calendar day after the Closing Date, subject to a 20-day extension as requested by the Company and consented to by the Purchaser. On November 23, 2015, the Company filed a registration statement with the SEC and on December 10, 2015, the registration statement was deemed effective.

If at any time all of the shares of Common Stock underlying the Debenture or the Warrant are not covered by the initial Registration Statement, the Company has agreed to file with the SEC one or more additional Registration Statements so as to cover all of the shares of Common Stock underlying the Debenture or the Warrant not covered by such initial Registration Statement, in each case, as soon as practicable, but in no event later than the applicable filing deadline for such additional Registration Statements as provided in the Registration Rights Agreement.

In connection with the Purchase Agreement, the Company entered into a Security Agreement dated as of even date therewith with the Purchaser whereby the Company agreed to grant to Purchaser an unconditional and continuing, first priority security interest in all of the assets and property of the Company to secure the prompt payment, performance and discharge in full of all of Company's obligations under the Debentures, Warrants and the other transaction documents until ten days following the such time as the Registration Statement is declared effective by the SEC and the equity conditions set forth in the Debenture are met.

The Company recorded \$4,207,500 and \$166,500 of debt discounts for fees paid to lenders related to the above note issuances during the nine months ended March 31, 2016 and 2015 respectively. The debt discounts are being amortized over the term of the debt. Amortization of the debt discounts for the nine months ended March 31, 2016 and 2015 was \$1,852,757 and \$43,773 respectively.

**NOTE 6 – STOCKHOLDERS' DEFICIT**

*Preferred Stock:*

The total number of preferred shares authorized and that may be issued by the Company is 10,000,000 preferred shares with a par value of \$0.01. These preferred shares have no rights to dividends, profit sharing or liquidation preferences.

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Of the total preferred shares authorized, pursuant to Certificate of Designation filed on December 9, 2014, 500,000 have been designated as Series A preferred stock, with a par value of \$0.01 ("Series A Preferred Stock"). On December 9, 2014, the Company issued 500,000 shares of Series A Preferred Stock to its CEO in consideration for services rendered to the Company, including for and as an incentive to continue to assist and provide services to the Company. The shares were valued at \$0.00213 per share for a total value of \$1,067 based on the average sale price per share of the 8,161,000 shares of common stock sold during the three months ended December 31, 2014.

Of the total preferred shares authorized, pursuant to Certificate of Designation filed on June 16, 2015, up to five (5) shares have been designated as Series B preferred stock, with a par value of \$0.01 ("Series B Preferred Stock"). Each holder of outstanding shares of Series B Preferred Stock shall be entitled to voting power equivalent of the number of votes equal to the total number of Company's common stock outstanding as of the record date for the determination of stockholders entitled to vote at each meeting of stockholders of the Company and entitled to vote on all matters submitted or required to be submitted to a vote of the stockholders of the Company. On June 16, 2015, the Company issued 1 share of Series B Preferred Stock to its CEO in consideration for services rendered to the Company, including for and as an incentive to continue to assist and provide services to the Company. The share was valued at \$0.1165 per share for a total value of \$0.12 based on the closing price of the stock on that date. This value represents the economic rights of the share as the value of voting rights, which represent control rights, are not objectively measurable.

Common Stock:

On November 12, 2014, the Company filed an amendment to the Company's Certificate of Incorporation with the Secretary of State of the State of Delaware, to increase the Company's authorized common stock from one hundred million (100,000,000) shares of common stock, par value \$0.001 per share, to ten billion (10,000,000,000) shares of common stock, par value \$0.001 per share. On July 10, 2015, the Company filed an amendment to the Company's Certificate of Incorporation with the Secretary of State of the State of Delaware, to decrease the Company's authorized common stock from ten billion (10,000,000,000) shares of common stock, par value \$0.001 per share, to two billion (2,000,000,000) shares of common stock, par value \$0.001 per share.

Shares issued for services

On June 4, 2015, the Company entered into an agreement with a consultant to provide services over a six month period in exchange for 500,000 shares of common stock. The Company valued the 500,000 shares based on the market price on the agreement date of \$0.0706 and will recognize \$35,300 of consulting expense through the term of the agreement. On July 2, 2015 the Company issued the 500,000 shares related to this agreement. The Company has recorded \$30,285 of consulting expense for the nine months ended March 31, 2016.

On August 26, 2015, the Company issued 560,000 shares of common stock to a consultant as compensation for a six month period consulting service. The Company valued the 560,000 shares based on the market price on the issuance date of \$0.04. The Company has recorded \$22,400 of consulting expense for the nine months ended March 31, 2016.

On September 8, 2015, the Company issued 600,000 shares of common stock to a member of the Company's Scientific Advisory Board. The Company valued the 600,000 shares based on the market price on the issuance date of \$0.0369 and immediately expensed the \$22,140.

On July 24, 2015, the Company entered into an agreement with a consultant to provide services over a six month period. The Company agreed to issue the consultant 8,000,000 shares of common stock. The Company valued the 8,000,000 shares based on the market price on the agreement date of \$0.0435 and is recognizing \$348,000 of consulting expense through the term of the agreement. On October 8, 2015, the Company issued the 8,000,000 shares related to this agreement. The Company has recorded \$348,000 of consulting expense for the nine months ended March 31, 2016 related to this agreement.

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On October 1, 2015, the Company entered into an agreement with a consultant to provide services over a one year period. The Company agreed to issue the consultant 1,500,000 shares of common stock and an additional 1,500,000 shares of common stock on April 1, 2016 unless the Company terminates the agreement. The Company valued the 1,500,000 shares based on the market price on the agreement date of \$0.031 and is recognizing \$46,500 of consulting expense over the one year term of the agreement. The Company has recorded \$23,314 of consulting expense for the nine months ended March 31, 2016 related to this agreement. On October 1, 2015, the Company issued 1,100,000 and 400,000 shares of common stock to consultants related to this agreement. In February 2016, the Company terminated this agreement.

On October 16, 2015, the Company issued 4,000,000 shares of common stock to a consultant. The Company valued the 4,000,000 shares based on the market price on the issuance date of \$0.0415 and is recognizing \$166,000 of consulting expense over the six month term of the agreement. The Company has recorded \$151,486 of consulting expense for the nine months ended March 31, 2016 related to this agreement.

On December 30, 2015, the Company entered into an agreement with a consultant to provide services over a nine month period. The Company agreed to issue the consultant 1,000,000 shares of common stock. The Company valued the 1,000,000 shares based on the market price on the agreement date of \$0.0260 and is recognizing \$26,000 of consulting expense over the term of the agreement. On January 4, 2016, the Company issued the 1,000,000 shares of this agreement. The Company has recorded \$8,730 of consulting expense for the nine months ended March 31, 2016 related to this agreement.

On December 30, 2015, the Company entered into an agreement, effective on January 1, 2016, with a consultant to provide services over a six month period. The Company agreed to issue the consultant 2,250,000 shares of common stock. The Company valued the 2,250,000 shares based on the market price on the effective date of the agreement of \$0.0279 and will amortize the \$62,775 over the six month term of the agreement. On January 4, 2016 and on February 18, 2016, the Company issued 375,000 shares of common stock related to this agreement. The Company has recorded \$20,925 of consulting expense for the nine months ended March 31, 2016 related to this agreement. In February 2016, the Company terminated this agreement.

On December 31, 2015, the Company entered into an agreement, effective on January 1, 2016, with a law firm to provide legal services. The Company agreed to issue the law firm 1,600,000 shares of common stock. The Company valued the 1,600,000 shares based on the market price on the effective date of the agreement of \$0.0279 and immediately expensed the \$44,640. On January 4, 2016, the Company issued 1,600,000 shares of common stock related to this agreement.

On November 11, 2015, the Company entered into an agreement with a consultant to provide services over a six month period. The Company agreed to issue the consultant 2,000,000 shares of common stock. The Company valued the 2,000,000 shares based on the market price on the effective date of the agreement of \$0.0157 and is recognizing \$31,400 of consulting expense over the term of the agreement. On February 17, 2016, the Company issued the 2,000,000 shares of this agreement. The Company has recorded \$24,326 of consulting expense for the nine months ended March 31, 2016 related to this agreement.

Shares issued for conversion of convertible debt

On August 14, 2015, pursuant to a conversion notice, \$20,500 of principal and interest was converted at \$0.02365 into 866,796 shares of common stock (See Note 5).

On August 14, 2015, pursuant to a conversion notice, \$20,802 of principal and interest was converted at \$0.02365 into 879,585 shares of common stock (See Note 5).

On August 26, 2015, pursuant to a conversion notice, \$26,068 of principal and interest was converted at \$0.018425 into 1,414,843 shares of common stock (See Note 5).

On September 1, 2015, pursuant to a conversion notice, \$25,723 of principal and interest was converted at \$0.018425 into 1,396,108 shares of common stock (See Note 5).

On September 4, 2015, pursuant to a conversion notice, \$15,648 of principal and interest was converted at \$0.018425 into 849,263 shares of common stock (See Note 5).

On September 16, 2015, pursuant to a conversion notice, \$15,687 of principal and interest was converted at \$0.018975 into 826,726 shares of common stock (See Note 5).

On September 18, 2015, pursuant to a conversion notice, \$15,694 of principal and interest was converted at \$0.017875 into 877,969 shares of common stock (See Note 5).

On September 22, 2015, pursuant to a conversion notice, \$15,638 of principal and interest was converted at \$0.01716 into 911,294 shares of common stock (See Note 5).

On October 1, 2015, pursuant to a conversion notice, \$26,635 of principal and interest was converted at \$0.012375 into 2,152,289 shares of common stock (See Note 5).

On October 7, 2015, pursuant to a conversion notice, \$31,374 of principal and interest was converted at \$0.012375 into 2,535,293 shares of common stock (See Note 5).

On October 13, 2015, pursuant to a conversion notice, \$109,004 of principal and interest was converted at \$0.012375 into 8,808,435 shares of common stock (See Note 5).

On October 13, 2015, pursuant to a conversion notice, \$104,712 of principal and interest was converted at \$0.012375 into 8,461,602 shares of common stock (See Note 5).



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On October 15, 2015, pursuant to a conversion notice, \$50,000 of principal and interest was converted at \$0.01 into 5,000,000 shares of common stock (See Note 5).

On November 17, 2015, pursuant to a conversion notice, \$2,099 of principal and interest was converted at \$0.01986 into 105,709 shares of common stock (See Note 5).

On November 17, 2015, pursuant to a conversion notice, \$35,000 of principal and interest was converted at \$0.01 into 3,500,000 shares of common stock (See Note 5).

On November 23, 2015, pursuant to a conversion notice, \$15,707 of principal and interest was converted at \$0.0154 into 1,019,925 shares of common stock (See Note 5).

On November 24, 2015, pursuant to a conversion notice, \$20,947 of principal and interest was converted at \$0.0154 into 1,360,185 shares of common stock (See Note 5).

On November 30, 2015, pursuant to a conversion notice, \$49,287 of principal and interest was converted at \$0.0154 into 3,200,448 shares of common stock (See Note 5).

On December 4, 2015, pursuant to a conversion notice, \$31,703 of principal and interest was converted at \$0.0154 into 2,058,637 shares of common stock (See Note 5).

On December 8, 2015, pursuant to a conversion notice, \$63,213 of principal and interest was converted at \$0.01595 into 3,963,207 shares of common stock (See Note 5).

On December 11, 2015, pursuant to a conversion notice, \$50,000 of principal was converted at \$0.02608 into 1,917,178 shares of common stock (See Note 5).

On December 15, 2015, pursuant to a conversion notice, \$50,000 of principal was converted at \$0.02712 into 1,843,658 shares of common stock (See Note 5).

On December 16, 2015, pursuant to a conversion notice, \$31,782 of principal and interest was converted at \$0.01650 into 1,926,177 shares of common stock (See Note 5).

On December 17, 2015, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02500 into 1,600,000 shares of common stock (See Note 5).

On December 21, 2015, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02360 into 1,694,916 shares of common stock (See Note 5).

On December 21, 2015, pursuant to a conversion notice, \$51,719 of principal and interest was converted at \$0.01584 into 3,265,069 shares of common stock (See Note 5).

On December 23, 2015, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02320 into 1,724,138 shares of common stock (See Note 5).

On December 23, 2015, pursuant to a conversion notice, \$31,414 of principal and interest was converted at \$0.01584 into 1,983,188 shares of common stock (See Note 5).

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On December 28, 2015, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02320 into 1,724,138 shares of common stock (See Note 5).

On December 29, 2015, pursuant to a conversion notice, \$15,727 of principal and interest was converted at \$0.01573 into 999,783 shares of common stock (See Note 5).

On December 30, 2015, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02284 into 1,751,314 shares of common stock (See Note 5).

On January 4, 2016, pursuant to a conversion notice, \$20,995 of principal and interest was converted at \$0.0143 into 1,468,187 shares of common stock (See Note 5).

On January 4, 2016, pursuant to a conversion notice, \$54,375 of interest was converted at \$0.02156 into 2,522,032 shares of common stock (See Note 5).

On January 6, 2016, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02068 into 1,934,236 shares of common stock (See Note 5).

On January 6, 2016, pursuant to a conversion notice, \$21,004 of principal and interest was converted at \$0.014135 into 1,485,946 shares of common stock (See Note 5).

On January 8, 2016, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.02008 into 1,992,032 shares of common stock (See Note 5).

On January 8, 2016, pursuant to a conversion notice, \$10,506 of principal and interest was converted at \$0.0113805 into 761,050 shares of common stock (See Note 5).

On January 11, 2016, pursuant to a conversion notice, \$10,513 of principal and interest was converted at \$0.01375 into 764,573 shares of common stock (See Note 5).

On January 12, 2016, pursuant to a conversion notice, \$10,515 of principal and interest was converted at \$0.012705 into 827,632 shares of common stock (See Note 5).

On January 13, 2016, pursuant to a conversion notice, \$17,650 of principal was converted at \$0.01864 into 946,889 shares of common stock (See Note 5).

On January 13, 2016, pursuant to a conversion notice, \$10,517 of principal and interest was converted at \$0.011825 into 889,409 shares of common stock (See Note 5).

On January 13, 2016, pursuant to a conversion notice, \$20,820 of principal and interest was converted at \$0.01056 into 1,971,565 shares of common stock (See Note 5).

On January 14, 2016, pursuant to a conversion notice, \$82,350 of principal was converted at \$0.0168 into 4,901,786 shares of common stock (See Note 5).

On January 19, 2016, pursuant to a conversion notice, \$10,423 of principal and interest was converted at \$0.009955 into 1,047,013 shares of common stock (See Note 5).

On January 20, 2016, pursuant to a conversion notice, \$5,108 of principal and interest was converted at \$0.009955 into 513,158 shares of common stock (See Note 5).

On January 21, 2016, pursuant to a conversion notice, \$25,000 of principal was converted at \$0.01488 into 1,680,108 shares of common stock (See Note 5).

On January 21, 2016, pursuant to a conversion notice, \$12,513 of principal and interest was converted at \$0.009955 into 1,256,944 shares of common stock (See Note 5).

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On January 25, 2016, pursuant to a conversion notice, \$25,000 of principal was converted at \$0.01492 into 1,675,604 shares of common stock (See Note 5).

On January 25, 2016, pursuant to a conversion notice, \$13,567 of principal and interest was converted at \$0.009955 into 1,362,834 shares of common stock (See Note 5).

On January 25, 2016, pursuant to a conversion notice, \$65,159 of principal and interest was converted at \$0.0150 into 4,343,934 shares of common stock (See Note 5).

On January 27, 2016, pursuant to a conversion notice, \$15,661 of principal and interest was converted at \$0.009955 into 1,573,161 shares of common stock (See Note 5).

On January 29, 2016, pursuant to a conversion notice, \$25,000 of principal was converted at \$0.015080 into 1,657,825 shares of common stock (See Note 5).

On February 1, 2016, pursuant to a conversion notice, \$16,722 of principal and interest was converted at \$0.009955 into 1,679,800 shares of common stock (See Note 5).

On February 3, 2016, pursuant to a conversion notice, \$20,000 of principal was converted at \$0.0148 into 1,351,352 shares of common stock (See Note 5).

On February 3, 2016, pursuant to a conversion notice, \$10,456 of principal and interest was converted at \$0.009405 into 1,111,737 shares of common stock (See Note 5).

On February 4, 2016, pursuant to a conversion notice, \$25,000 of principal was converted at \$0.0142 into 1,760,564 shares of common stock (See Note 5).

On February 4, 2016, pursuant to a conversion notice, \$26,145 of principal and interest was converted at \$0.009405 into 2,779,927 shares of common stock (See Note 5).

On February 8, 2016, pursuant to a conversion notice, \$15,700 of principal and interest was converted at \$0.009405 into 1,669,354 shares of common stock (See Note 5).

On February 9, 2016, pursuant to a conversion notice, \$198,140 of principal was converted at \$0.0100 into 19,814,000 shares of common stock (See Note 5).

On February 9, 2016, pursuant to a conversion notice, \$25,000 of principal was converted at \$0.0138 into 1,811,595 shares of common stock (See Note 5).

On February 10, 2016, pursuant to a conversion notice, \$12,042 of principal and interest was converted at \$0.00864 into 1,394,548 shares of common stock (See Note 5).

On February 12, 2016, pursuant to a conversion notice, \$40,000 of principal was converted at \$0.01268 into 3,154,575 shares of common stock (See Note 5).

On February 16, 2016, pursuant to a conversion notice, \$10,276 of principal and interest was converted at \$0.00864 into 1,221,172 shares of common stock (See Note 5).

On February 17, 2016, pursuant to a conversion notice, \$10,278 of principal and interest was converted at \$0.00787 into 1,306,848 shares of common stock (See Note 5).

On February 22, 2016, pursuant to a conversion notice, \$20,579 of principal and interest was converted at \$0.00787 into 2,616,482 shares of common stock (See Note 5).

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On February 23, 2016, pursuant to a conversion notice, \$30,000 of principal was converted at \$0.01184 into 2,533,784 shares of common stock (See Note 5).

On February 25, 2016, pursuant to a conversion notice, \$115,975 of principal and interest was converted at \$0.0100 into 11,597,463 shares of common stock (See Note 5).

On February 25, 2016, pursuant to a conversion notice, \$30,000 of principal was converted at \$0.0100 into 3,000,000 shares of common stock (See Note 5).

On February 26, 2016, pursuant to a conversion notice, \$30,000 of principal was converted at \$0.0096 into 3,275,110 shares of common stock (See Note 5).

On March 2, 2016, pursuant to a conversion notice, \$25,773 of principal and interest was converted at \$0.00567 into 4,549,444 shares of common stock (See Note 5).

On March 4, 2016, pursuant to a conversion notice, \$50,000 of principal was converted at \$0.00832 into 6,009,616 shares of common stock (See Note 5).

On March 8, 2016, pursuant to a conversion notice, \$143,000 of principal was converted at \$0.00868 into 16,474,655 shares of common stock (See Note 5).

On March 13, 2016, pursuant to a conversion notice, \$8,274 of principal and interest was converted at \$0.00201 into 4,107,483 shares of common stock (See Note 5).

On March 15, 2016, pursuant to a conversion notice, \$126,549 of principal and interest was converted at \$0.00572 into 22,123,958 shares of common stock (See Note 5).

On March 18, 2016, pursuant to a conversion notice, \$67,237 of principal and interest was converted at \$0.00660 into 10,187,380 shares of common stock (See Note 5).

On March 29, 2016, pursuant to a conversion notice, \$62,926 of principal was converted at \$0.01920 into 3,277,403 shares of common stock (See Note 5).

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Warrants:

On October 28, 2015, pursuant to a convertible debenture, the Company issued 26,190,476 warrants to purchase common stock. These warrants have an exercise price of \$0.60 per share and expire 4 years from the date of issuance (See Note 5).

In connection with above agreement dated November 11, 2015, on February 22, 2016, the Company issued to the consultant, 4,000,000 warrants to purchase common stock of the Company. The fair value of the warrants was determined using a Black-Scholes option pricing model with a stock price of \$0.0119, exercise price of \$0.045, volatility of 314% based on the Company's stock price, an expected term of 60 months based on the warrant and a risk free rate of 1.54%. The value of the warrants of \$47,560 was recorded as additional paid in capital and a prepaid expense in the accompanying condensed consolidated balance sheet, the prepaid balance was \$10,714 at March 31, 2016 and stock based expense of \$36,846 was recorded for the three months ended March 31, 2016.

As of March 31, 2016, there were 37,569,634 warrants outstanding and exercisable with expiration dates commencing September 2018 – May 2020.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

From time to time, the Company may be involved in litigation relating to claims arising out of the Company's operations in the normal course of business. The Company is presently in litigation with Typenex Co-Investment, LLC, a Utah limited liability company ("Typenex"), in private arbitration in the State of Utah. In connection with this arbitration, a lawsuit is also pending in the Third Judicial District Court of Salt Lake County, Utah, which has been stayed pending the outcome of the arbitration. Typenex is claiming funds due under a convertible promissory note dated June 4, 2015. The Company is actively defending all allegations made by Typenex, and has lodged a counter claim against the plaintiff in the arbitration. The Company does not believe the result of this litigation matter will have a material adverse effect on our financial conditions or results of operations.

The Company negotiated a settlement with JMJ Financial Inc., a Florida corporation ("JMJ"), and on December 10, 2015, the Company repaid cash of \$90,000 as payment in full of the promissory note (See Note 5).

**Operating Agreements**

In November 2009, the Company entered into a commercialization agreement whereby the Company agreed to pay royalties of 2% of net revenues. Additionally, the Company agreed to pay 5% of each and every license agreement subscribed for. The contract is cancellable at any time by either party. To date, no amounts are owed under the agreement.

**Operating Leases**

On May 1, 2015, the Company moved to new premises. On May 1, 2015, the Company entered into a month to month lease agreement with new landlord with a monthly rental fee of approximately \$2,200 AUD and requiring a three month notice, by either party, to terminate agreement.

On May 5, 2016, the Company entered into a month to month lease agreement with a new landlord with a monthly rental fee of approximately \$3,000 AUD and requiring a three month notice, by either party, to terminate agreement.

Rent expense for the nine months ended March 31, 2016 and 2015 was \$15,062 and \$7,710 respectively.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Since inception, Propanc Health Group Corporation has conducted transactions with directors and director related entities. These transactions included the following:

As of March 31, 2016 and June 30, 2015, the Company owed certain directors a total of \$56,743 and \$79,416 respectively, for money loaned to the Company throughout the years. The loan balance owed at March 31, 2016 was not interest bearing (See Note 4).

As of March 31, 2016 and June 30 2015, the Company owed two directors a total of \$35,168 and \$35,108, respectively, related to expenses paid on behalf of the Company related to corporate startup costs and intellectual property (See Note 3).

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**NOTE 9 – CONCENTRATIONS AND RISKS**

Concentration of Credit Risk

The Company maintains its cash in banks and financial institutions in Australia. Bank deposits in Australian banks are uninsured. The Company has not experienced any losses in such accounts through March 31, 2016.

Receivable Concentration

As of March 31, 2016 and June 30, 2015, the Company's receivables were 100% related to reimbursements on GST taxes paid.

Product and Patent Concentration

As of March 31, 2016, the Company was undertaking preclinical activities for their lead product. The Company was also undertaking research to uncover the mechanism of action of their lead product in order to screen new compounds for development.

The Company previously expanded by the filing of an international PCT patent application (No. PCT/AU2010/001403) directed to enhanced proenzyme formulations and combination therapies. The international PCT application has been based on previous provisional patent applications capturing the Company's ongoing research and development in this area.

The Company received grant status in South Africa and more recently in Australia, Japan and New Zealand. In addition, the United States Patent and Trademark Office or USPTO and European Patent Office or EPO have made preliminary indications that key features of our technology are patentable. The Company is presently working towards securing a patent in each region, covering as many aspects of its technology as possible, while also actively seeking protection throughout Eastern Europe, Asia and South America. Individual countries and regions, include United States, Canada, Japan, Brazil, China, Mexico, Hong Kong, Singapore, Israel, Chile, Peru, Malaysia, Vietnam, Indonesia, Europe, Russia, India, and South Korea. The patent is granted in South Africa, Australia, and New Zealand.

In addition to the Company's lead patent, another four applications have been filed, or presently under examination. Two patents have been filed in the United States, one in Spain and another in Australia.

Further provisional patent filings are also expected to be filed to capture and protect additional patentable subject matter that is identified, namely further enhanced formulations, combination treatments, use of recombinant products, modes of action and molecular targets.

Foreign Operations

As of March 31, 2016 and June 30, 2015, the Company's operations are based in Australia.

**NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS and FAIR VALUE MEASUREMENTS**

*Derivative Financial Instruments:*

The Company applies the provisions of ASC Topic 815-40, *Contracts in Entity's Own Equity* ("ASC Topic 815-40"), under which convertible instruments and warrants, which contain terms that protect holders from declines in the stock price (reset provisions), may not be exempt from derivative accounting treatment. As a result, warrants and embedded conversion options in convertible debt are recorded as a liability and are revalued at fair value at each reporting date. If the fair value of the warrants exceeds the face value of the related debt, the excess is recorded as change in fair value in operations on the issuance date. The Company has 3,000,000 warrants and \$2,922,199 of convertible debt with repricing options qualifying for derivative accounting treatment outstanding at March 31, 2016.

The Company calculates the estimated fair values of the liabilities for derivative instruments using the Black Scholes ("BSM") option pricing model. The closing price of the Company's common stock at March 31, 2016 was \$0.0304. Volatility, expected remaining term and risk free interest rates used to estimate the fair value of derivative liabilities at March 31, 2016, are indicated in the table that follows. The volatility was based on historical volatility at March 31, 2016, the expected term is equal to the remaining term of the warrants and the risk free rate is based upon rates for treasury securities with the same term.

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**Warrants**

	<u>March 31, 2016</u>
Volatility	217%
Expected remaining term	2.50
Risk-free interest rate	1.31%
Expected dividend yield	none

**Convertible Debt**

	<b>Initial Valuations (on new derivative instruments entered into during the three months ended March 31, 2016)</b>	<b>March 31, 2016</b>
Volatility	217%	217%
Expected Remaining Term	0.70	0.58
Risk Free Interest Rate	0.7%	0.6%
Expected dividend yield	none	none

*Fair Value Measurements:*

The Company measures and reports at fair value the liability for derivative instruments. The fair value liabilities for price adjustable warrants and embedded conversion options have been recorded as determined utilizing the BSM option pricing model. The following tables summarize the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2016:

	<b>Balance at March 31, 2016</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Embedded conversion option liabilities	\$ 3,659,506	\$ —	\$ —	\$ 3,659,506
Fair value of liability for warrant derivative instruments	\$ 80,630	\$ —	\$ —	\$ 80,630
<b>Total</b>	<b>\$ 3,740,136</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,740,136</b>

The following is a roll forward for the nine months ended March 31, 2016 of the fair value liability of price adjustable derivative instruments:

	<b>Fair Value of Liability for Derivative Instruments</b>
Balance at June 30, 2015	\$ 1,049,929
Effects of foreign currency exchange rate changes	(10,490)
Initial fair value of embedded conversion option derivative liability recorded as debt discount	2,205,925
Initial fair value of embedded conversion option derivative liability recorded as change in fair value of ECO	2,211,529
Change in fair value included in statements of operations	(1,716,757)
<b>Balance at March 31, 2016</b>	<b>\$ 3,740,136</b>

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**NOTE 11 – SUBSEQUENT EVENTS**

Shares issued for conversion of convertible debt

On April 1, 2016, pursuant to a conversion notice, \$54,375 of interest was converted at \$0.01705 into 3,189,150 shares of common stock (See Note 5).

On April 4, 2016, pursuant to a conversion notice, \$75,000 of principal was converted at \$0.01705 into 4,398,827 shares of common stock (See Note 5).

On April 5, 2016, pursuant to a conversion notice, \$70,000 of principal was converted at \$0.01705 into 4,105,572 shares of common stock (See Note 5).

On April 7, 2016, pursuant to a conversion notice, \$75,000 of principal was converted at \$0.01705 into 4,398,827 shares of common stock (See Note 5).

On April 12, 2016, pursuant to a conversion notice, \$75,000 of principal was converted at \$0.019375 into 3,870,968 shares of common stock (See Note 5).

On April 18, 2016, pursuant to a conversion notice, \$75,000 of principal was converted at \$0.0194525 into 3,855,546 shares of common stock (See Note 5).

On April 19, 2016, pursuant to a conversion notice, \$75,000 of principal was converted at \$0.0194525 into 3,855,546 shares of common stock (See Note 5).

On April 20, 2016, pursuant to a conversion notice, \$29,218 of principal and interest was converted at \$0.01419 into 2,059,042 shares of common stock (See Note 5).

On April 21, 2016, pursuant to a conversion notice, \$75,000 of principal was converted at \$0.01984 into 3,780,242 shares of common stock (See Note 5).

On April 21, 2016, pursuant to a conversion notice, \$15,628 of principal and interest was converted at \$0.01419 into 1,101,335 shares of common stock (See Note 5).

On April 22, 2016, pursuant to a conversion notice, \$48,610 of principal and interest was converted at \$0.01419 into 3,425,642 shares of common stock (See Note 5).

On April 22, 2016, pursuant to a conversion notice, \$150,000 of principal was converted at \$0.01984 into 7,560,484 shares of common stock (See Note 5).

On April 26, 2016, pursuant to a conversion notice, \$150,000 of principal was converted at \$0.01984 into 7,560,484 shares of common stock (See Note 5).

On April 27, 2016, pursuant to a conversion notice, \$156,477 of principal and interest was converted at \$0.01463 into 10,695,606 shares of common stock (See Note 5).

On April 27, 2016, pursuant to a conversion notice, \$634,880 of principal was converted at \$0.01984 into 32,000,000 shares of common stock (See Note 5).

On April 27, 2016, pursuant to a conversion notice, \$26,868 of principal and interest was converted at \$0.01463 into 1,836,534 shares of common stock (See Note 5).

On May 2, 2016, pursuant to a conversion notice, \$325,000 of principal was converted at \$0.020925 into 15,531,661 shares of common stock (See Note 5).

Shares issued for services

On April 14, 2016 (“Grant Date”), the Board of Directors of the Company, through unanimous written consent, granted 71,500,000 and 71,500,000 stock options at an exercise price of \$0.03 (market value of the Company’s stock on Grant Date), to its CEO and to a director, respectively. 23,833,333 of such stock options vest on April 14, 2016 and expire on April 14, 2021, 23,833,333 of such stock options shall vest on April 14, 2017 (first anniversary of Grant Date) and expire on April 14, 2021 and 23,833,334 of such stock options shall vest on April 14, 2018 (second anniversary of Grant Date) and expire on April 14, 2021. The fair value of each of the 71,500,000 options at Grant Date is \$2,056,059 (aggregate total of \$4,112,118).

On April 14, 2016, the Board of Director of the Company, through unanimous written consent approved Amendment No.1 to the



Nathanielsz Employment Agreement to include a provision in the Nathanielsz Employment Agreement pursuant to which the Company will pay Mr. Nathanielsz a monthly amount to cover the costs relating to Mr. Nathanielsz use of a vehicle.

On April 14, 2016, the Board of Director of the Company, through unanimous written consent approved the payment of an annual bonus to the Company's CEO based on certain performance achievements in 2015 in accordance with the terms of the Nathanielsz Employment Agreement. The bonus amount approved was \$200,000 AUD (or 66.66% of the CEO's current base salary).

On April 22, 2016, the Company entered into an agreement with a consultant to provide services over a one year period. The Company agreed to issue the consultant 6,250,000 shares of common stock. The Company valued the 6,250,000 shares based on the market price on the effective date of the agreement of \$0.03 and will amortize the \$187,500 over the one year term of the agreement. The Company also agreed to issue the consultant an additional total of 3,750,000 shares of common stock upon completion of certain services. On April 30, 2016, the Company issued 6,250,000 shares of common stock related to this agreement.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The information set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, including, among others (i) expected changes in Propanc Health Group Corporation's (referred to herein as the "Company", or "Propanc", "we", "our", "ours" and "us") revenues and profitability, (ii) prospective business opportunities and (iii) our strategy for financing its business. Forward-looking statements are statements other than historical information or statements of current condition. Some forward-looking statements may be identified by use of terms such as "believes", "anticipates", "intends" or "expects". These forward-looking statements relate to our plans, liquidity, ability to complete financing and purchase capital expenditures, growth of our business including entering into future agreements with companies, and plans to successfully develop and obtain approval to market our product. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.*

*Although we believe that our expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of our business and operations, in light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this Quarterly Report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.*

*We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements.*

*You should read the following discussion and analysis in conjunction with the unaudited Consolidated Financial Statements and Notes attached hereto, and the other financial data appearing elsewhere in this Quarterly Report.*

*Our revenues and results of operations could differ materially from those projected in the forward-looking statements as a result of numerous factors, including, but not limited to, the following: the risk of significant natural disaster, the inability of the Company to insure against certain risks, inflationary and deflationary conditions and cycles, currency exchange rates, and changing government regulations domestically and internationally affecting our products and businesses.*

*US Dollars are denoted herein by "USD", "\$" and "dollars".*

### **Overview**

Propanc PTY Ltd., was incorporated in Melbourne, Victoria Australia on October 15, 2007, and is based in Melbourne, Victoria Australia.

On November 23, 2010, Propanc Health Group Corporation ("the Company", "we", "us", "our") was incorporated in the state of Delaware. In January 2011, Propanc Health Group Corporation acquired all of the outstanding shares of Propanc PTY Ltd. on a one-for-one basis making it a wholly-owned subsidiary.

We are an early stage healthcare company that is currently focused on developing new cancer treatments for patients, suffering from pancreatic and colorectal cancer. Together with our scientific and oncology consultants, we have developed a rational, composite formulation of anti-cancer compounds, which together exert a number of effects designed to control or prevent tumors recurring and spreading through the body. Our leading products are variations upon our novel formulation and involve or employ pro-enzymes, which are inactive precursors of enzymes. As a result of positive early indications of the anti-cancer effects of our technology, we intend to submit our pro-enzyme treatment to the rigorous, formal non-clinical and clinical development and trial processes required to obtain the regulatory approval necessary to commercialize it and any product(s) derived and/or to be derived therefrom.

In the near term, we intend to target patients with limited remaining therapeutic options for the treatment of solid tumors such as colorectal or pancreatic tumors. In the future, we intend to development our lead product to treat (i) early stage cancer and (ii) pre-cancerous diseases and (iii) as a preventative measure for patients at risk of developing cancer based on genetic screening.

We have generated very limited revenue, have no cancer treatment products available to market and have no products which have reached the clinical trial stage. We require substantial additional financing to develop our products.

### **Recent Development – Debt Financings**

On September 24, 2015 (the “Issuance Date”), we entered into a Promissory Note with a Lender whereby the Lender loaned us \$1,200,000 in exchange for the issuance of a Promissory Note (the “Promissory Note”). On October 1, 2015, we received cash of \$1,150,000 (\$1,200,000 less \$50,000 of legal fees) for the Promissory Note.

#### *Promissory Note*

We issued a Promissory Note with a principal amount of \$1,200,000 to the Lender. The Promissory Note has a maturity date of the earlier of: (i) the date on which we close a subsequent equity offering with the Lender in an amount greater than the principal amount of the Note; or (ii) June 24, 2016. On its face, the Promissory Note does not accrue any interest. In the event that the Lender does not proceed with a subsequent financing with us, beginning on the 46th day following the Issuance Date, the Promissory Note will have a one-time interest adjustment of \$180,000 on the outstanding principal of the Promissory Note. Additionally, if the Lender does not wish to proceed with a subsequent financing, the Promissory Note will also be convertible into common stock at the lower of (i) \$0.0346; or (ii) a twenty percent (20%) discount to the average of the two lowest closing prices of the common stock in the five trading days prior to the date of conversion. See below as this note was assumed in subsequent offering.

#### *Security Agreement*

In connection with the Promissory Note, we also entered into a Security Agreement dated September 24, 2015 with the Lender whereby we agreed to grant to Lender an unconditional and continuing, first priority security interest in all of the assets and property of our Company to secure the prompt payment, performance and discharge in full of all of our obligations under the Promissory Note, provided, however that in the event the Lender does not proceed with a subsequent financing, any and all security interests shall be removed.

#### *Securities Purchase Agreement and Debenture*

On October 28, 2015 (the “Closing Date”), we entered into a securities purchase agreement dated as of the Closing Date (the “Purchase Agreement”) with a third party purchaser (the “Purchaser”). The Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, the Purchaser will invest \$4,000,000 (“Investment Amount”) in exchange for a Convertible Debenture (the “Debenture”) in the principal amount of \$4,400,000 (the “Principal Amount”) which also includes a previously issued \$1,200,000 note from the Purchaser as noted below and warrants to purchase an aggregate of 26,190,476 shares of the Company’s common stock, par value \$0.001 per share, for an exercise price of \$0.60 per share for a period of four (4) years from the Closing Date (the “Warrants”). Pursuant to the Purchase Agreement, on the Closing Date, the Company issued the Debenture and Warrant to the Purchaser.

On March 11, 2016, the Company entered into an Addendum (the “Addendum”) with the Purchaser pursuant to which the Company and the Purchaser agreed to new terms with respect to that certain securities purchase agreement entered into by and between the Company and the Purchaser dated as October 28, 2015.

#### *Addendum*

Under a March 2016 Addendum, the Company and the Purchaser agreed that the balance of the deposit control account, after giving effect to the amounts released from such account as of the date of the Addendum, will be released to the Company in two installments as follows: (1) up to \$1,200,000 will be released to the Company upon full execution of the Addendum, and (2) up to \$375,000 within 60 days of the full execution of the Addendum as long as certain conditions have been met.

The Company and the Purchaser agreed that the new conversion price will be \$0.03; provided that in the event that the volume weighted average price per share on any trading day is less than such conversion price, the conversion price will be adjusted to a price per share that is equal to a 22.5% discount to the lowest trading price of the common stock in the 10 trading days prior to the date of conversion.

Under the Addendum, the Purchaser agreed to limit the number of shares of common stock it sells on any trading day to an amount of shares that is less than 25% of the trading volume of the common stock on that same trading day. The Purchaser and the Company may agree otherwise with respect to this trading limitation.

The Company also agreed to reserve an additional 300,000,000 shares for issuance and to file a registration statement on Form S-1 to register shares covering the resale of all of the additional shares of common stock that are issuable upon conversion of the Debenture, as modified by this Addendum. On March 25, 2016, the Company filed a registration statement with the SEC covering 171,000,000 shares of its common stock and on April 18, 2016, the registration statement was deemed effective.

The Company and the Purchaser agreed that the October Financing Documents, as applicable, will continue in effect and remain in place, except to the extent modified by the Addendum.

#### *Securities Purchase Agreement*

Under the terms of the Purchase Agreement, the Purchaser agreed to deliver the Promissory Note entered into by us and Purchaser on September 24, 2015 with a principal amount of \$1,200,000 (the "Prior Note") see above. The parties further agreed that the Prior Note was deemed cancelled upon the delivery by the Purchaser to us and the amount of the Prior Note is included in the Investment Amount under the Purchase Agreement.

Under the terms of the Purchase Agreement and Debenture, \$2,800,000 of the Investment Amount will be deposited into a deposit control account and such amount will remain in the deposit control account pending the achievement of certain milestones by the Company and the satisfaction of certain equity conditions set forth in the Debenture. Additionally, under the Debenture, the Principal Amount will be reduced by \$25,000 if the Company files a registration statement with the SEC within 30 days following the Closing Date. The Principal Amount will be reduced by an additional \$25,000 if the registration statement is deemed effective within 100 days after the Closing Date. On November 23, 2015, the Company filed a registration statement with the SEC and on December 10, 2015, the registration statement was deemed effective. The Principal Amount was reduced by \$50,000.

The Purchase Agreement contains customary representations, warranties and covenants by, among and for the benefit of the parties. The Company also agreed to pay up to \$50,000 of reasonable attorneys' fees and expenses incurred by the Purchaser in connection with the transaction. The Purchase Agreement also provides for indemnification of the Purchaser and its affiliates in the event that the Purchaser incurs losses, liabilities, obligations, claims, contingencies, damages, costs and expenses related to a breach by the Company of any of its representations, warranties or covenants under the Purchase Agreement.

#### *Debenture*

The Debenture has a 10% original issue discount and matures on October 28, 2016. The Principal Amount of the Debenture accrues interest at the rate of 5% per annum, payable quarterly in cash (or if certain conditions are met, in stock at the Company's option) on January 1, April 1, July 1 and October 1. The Debenture was, prior to Addendum, convertible at any time, in whole or in part, at the Purchaser's option into shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), at a conversion price equal to \$0.042, which is the volume weighted average price of the Company's Common Stock five days prior to the execution of the Debenture (subject to adjustment) (the "Conversion Price"). At any time after the effective date of the registration statement, the Purchaser has the opportunity to convert up to an aggregate of \$2,090,000 of the Debenture, at one or more conversion dates, into shares of Common Stock at a conversion price equal to the VWAP of the Common Stock over the five (5) trading days prior to such Effective Date. The Purchaser option to convert at such a conversion price expires when the Purchaser converts an aggregate of \$2,090,000 of the Debenture using such conversion price. If the volume weighted average price of the Company Common Stock on any trading day is less than the Conversion Price, the Purchaser may convert at a price per share equal to a twenty percent (20%) discount to the average of the two lowest closing prices during the five trading days prior to the date of conversion. At no time will the Purchaser be entitled to convert any portion of the Debenture to the extent that after such conversion, the Purchaser (together with its affiliates) would beneficially own more than 4.99% of the outstanding shares of Common Stock as of such date. During the nine months ended March 31, 2016, the Company withdrew a principal amount of \$2,425,000 from the deposit control account, of which \$269,976 was paid directly as partial payment of a note dated June 4, 2015 and \$33,437 were paid directly to legal fees resulting in net cash proceeds of \$2,121,587 received by the Company.

The Debenture includes customary event of default provisions, and provides for a default interest rate of 18%. Upon the occurrence of an event of default, the Purchaser may convert the Debenture into shares of Common Stock at a price per share equal to a thirty percent (30%) discount to the average volume weighted average price of the shares for the three trading days prior to conversion.

Subject to the conditions set forth in the Debenture, the Company has the right at any time to redeem some or all of the total outstanding amount then remaining under the Debenture in cash at a price equal to 125% of the total amount of the Debenture outstanding on the twentieth (20th) trading date following the date the Company delivers notice of such redemption to the Purchaser.

The issuance of the Debenture to the Purchaser under the Purchase Agreement was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act ("Regulation D"). The Company made this determination based on the representations of the Purchaser that the Purchaser is an "accredited investor" within the meaning of Rule 501 of Regulation D and has access to information about the Company and its investment.

## *Warrant*

The Warrants are exercisable in whole or in part, at an initial exercise price per share of \$0.60, subject to adjustment. The exercise price and number of shares of the Company's common stock issuable under the Warrants (the "Warrant Shares") are subject to adjustments for stock dividends, splits, combinations, subsequent rights offerings and pro rata distributions. Any adjustment to the exercise price shall similarly cause the number of warrant shares to be adjusted so that the total value of the Warrants may increase. In the event that the Warrant Shares are not included in an effective registration statement, the Warrants may be exercised on a cashless basis.

## *Registration Rights Agreement*

In connection with the execution of the Purchase Agreement, on the Closing Date, the Company and the Purchaser also entered into a registration rights agreement dated as of the Closing Date (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Company has agreed to file an initial registration statement ("Registration Statement") with the SEC to register the resale of the Common Stock into which the Debenture may be converted or the Warrant may be exercised, within 30 days following the Closing Date. The Registration Statement must also be declared effective by the 100th calendar day after the Closing Date, subject to a 20-day extension as requested by the Company and consented to by the Purchaser.

If at any time all of the shares of Common Stock underlying the Debenture or the Warrant are not covered by the initial Registration Statement, the Company has agreed to file with the SEC one or more additional Registration Statements so as to cover all of the shares of Common Stock underlying the Debenture or the Warrant not covered by such initial Registration Statement, in each case, as soon as practicable, but in no event later than the applicable filing deadline for such additional Registration Statements as provided in the Registration Rights Agreement.

## *Security Agreement*

In connection with the Purchase Agreement, the Company entered into a Security Agreement dated as of even date therewith with the Purchaser whereby the Company agreed to grant to Purchaser an unconditional and continuing, first priority security interest in all of the assets and property of the Company to secure the prompt payment, performance and discharge in full of all of Company's obligations under the Debentures, Warrants and the other transaction documents until ten days following the such time as the Registration Statement is declared effective by the SEC and the equity conditions set forth in the Debenture are met.

## **Critical Accounting Estimates**

Below the Company will provide a discussion of its more subjective accounting estimation processes for purposes of (i) explaining the methodology used in calculating the estimates, (ii) the inherent uncertainties pertaining to such estimates, and (iii) the possible effects of a significant variance in actual experience, from that of the estimate, on the Company's financial condition. Estimates involve the employ of numerous assumptions that, if incorrect, could create a material adverse impact on the Company's results of operations and financial condition.

*Foreign Currency Translation and Comprehensive Income (Loss):* The Company's functional currency is the Australian dollar (AUD). For financial reporting purposes, the Australian dollar has been translated into United States dollars (\$) and/or USD as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. Equity transactions are translated at each historical transaction date spot rate. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity (deficit) as "accumulated other comprehensive income (loss)." Gains and losses resulting from foreign currency transactions are included in the statement of operations and comprehensive loss as other income (expense).

*Accounting for Income Taxes:* The Company is governed by Australia and United States income tax laws, which are administered by the Australian Taxation Office and the United States Internal Revenue Service, respectively. The Company follows FASB ASC 740 when accounting for income taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company adopted provisions of ASC 740, Sections 25 through 60, "Accounting for Uncertainty in Income Taxes." These sections provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a "more-likely-than-not" recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods.

*Accounting for Stock Based Compensation:* The Company records stock based compensation in accordance with ASC section 718, "Stock Compensation" and Staff Accounting Bulletin (SAB) No. 107 (SAB 107) issued by the Securities and Exchange Commission (SEC) in March 2005 regarding its interpretation of ASC 718. ASC 718 requires the fair value of all stock-based employee compensation awarded to employees to be recorded as an expense over the related requisite service period. The statement also requires the recognition of compensation expense for the fair value of any unvested stock option awards outstanding at the date of adoption. The Company values any employee or non-employee stock based compensation at fair value using the Black-Scholes Option Pricing Model.

The Company accounts for non-employee share-based awards in accordance with the measurement and recognition criteria of ASC 505-50 "Equity-Based Payments to Non-Employees."

*Derivative Instruments:* ASC Topic 815, *Derivatives and Hedging* ("ASC Topic 815"), establishes accounting and reporting standards for derivative instruments and for hedging activities by requiring that all derivatives be recognized in the balance sheet and measured at fair value. Gains or losses resulting from changes in the fair value of derivatives are recognized in earnings or recorded in other comprehensive income (loss) depending on the purpose of the derivatives and whether they qualify and have been designated for hedge accounting treatment. The Company does not have any derivative instruments for which it has applied hedge accounting treatment.

*Convertible Notes With Variable Conversion Options :* The Company has entered into convertible notes, some of which contain variable conversion options, whereby the outstanding principal and accrued interest may be converted, by the holder, into common shares at a fixed discount to the price of the common stock at the time of conversion. The Company treats these convertible notes as stock settled debt under ASC 480 and measures the fair value of the notes at the time of issuance, which is the result of the share price discount at the time of conversion, and records the put premium as accretion to interest expense to the date of first conversion.

*Research and Development Tax Credits:* The Company may apply for Research and Development tax concessions with the Australian Taxation Office on an annual basis. Although the amount is possible to estimate at year end, the Australian Taxation Office may reject or materially alter the claim amount. Accordingly, the Company does not recognize the benefit of the claim amount until cash receipt since collectability is not certain until such time. The tax concession is a refundable credit. If the Company has net income then the Company can receive the credit which reduces its income tax liability. If the Company has net losses then the Company may still receive a cash payment for the credit, however, the Company's net operating loss carry forwards are reduced by the gross equivalent loss that would produce the credit amount when the income tax rate is applied to that gross amount. The concession is recognized as an income tax benefit, in operations, upon receipt.

#### **Recent Accounting Pronouncements**

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after March 31, 2016 are not expected to have a significant effect on the Company's unaudited consolidated financial position or results of operations.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Topic 205-40)", which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this new standard as of December 31, 2016 and the Company will continue to assess the impact on its consolidated financial statements.

On May 8, 2015, the FASB issued ASU 2015-08, "*Business Combinations (Topic 805) Pushdown Accounting*" which conforms the FASB's guidance on pushdown accounting with the SEC's guidance. ASU 2015-08 is effective for annual periods beginning after December 15, 2015. As of March 31, 2016, this ASU has not had a material impact on the unaudited consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, "*Simplifying the Presentation of Debt Issuance Costs*," which changes the presentation of debt issuance costs in financial statements. Under this guidance such costs would be presented as a direct deduction from the related debt liability rather than as an asset. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. As of March 31, 2016, this ASU has not had a material impact on the unaudited consolidated balances current presentation.

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after March 31, 2016 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

## **Results of Operations**

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto included elsewhere in this form 10-Q. The results discussed below are of the Company and its wholly-owned Australian subsidiary, Propanc Pty Ltd.

### **For the Three Months Ended March 31, 2016 compared to the Three Months Ended March 31, 2015**

#### *Revenue*

For the three months ended March 31, 2016 and 2015, we generated no revenue because we are currently undertaking research and development activities for market approval and there were no sales generated in this period.

#### *Administration Expense*

Administration expenses increased to \$775,216 for the three months ended March 31, 2016 as compared with \$504,724 for the three months ended March 31, 2015. This increase is primarily attributable to an increase in stock based expenses of approximately \$210,000 during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015.

#### *Occupancy Expense*

Occupancy expense increased by approximately \$2,900 to \$5,235 for the three months ended March 31, 2016. On May 1, 2015, we moved to new premises. On May 1, 2015, we entered into a month to month lease agreement with new landlord with a monthly rental fee of approximately \$2,200 AUD (\$1,687 USD at March 31, 2016). The increase is primarily attributable to an increase in monthly rent expense as compared to prior year period.

#### *Research and Development Expenses*

Research and development was \$510,301 for the three months ended March 31, 2016 as compared with \$9,475 for the three months ended March 31, 2015. Research and development expenditures are primarily attributable to completing animal efficacy models on PRP and to completing the manufacturing, production of drug substance and product for preclinical and clinical trials, as well as undertaking formal toxicology studies and non clinical development. We are looking to raise sufficient capital to undertake the next stage of development for our current programs. We continue to expend our efforts to continue creating value by completing our patent filings and publishing our scientific discoveries, and we are negotiating with third parties to assist with raising the capital needed to complete our planned research and development activities.



### *Interest Expense/Income*

Interest expense increased to \$1,104,315 for the three months ended March 31, 2016 as compared with \$199,287 for the three months ended March 31, 2015. Interest expense is primarily comprised of \$891,000 debt discount amortization, and \$172,000 accretion of debt premium. This increase is primarily attributable to an increased debt discounts of convertible notes issued by the Company during the three months ended March 31, 2016.

### *Change in Fair Value of Derivative Liabilities*

Change in fair value of derivative liabilities increased to a gain of \$57,118 for the three months ended March 31, 2016 as compared with a loss of \$42,802 for the three months ended March 31, 2015. This increase is primarily attributable to an increase in the issuance of convertible notes with repricing options and variable conversion pricing and an increase in our stock price during the three months ended March 31, 2016.

### *Foreign Currency Transaction Gain (Loss)*

Foreign currency transaction gain (loss) increased to a gain of \$186,070 for the three months ended March 31, 2016 as compared with a loss of \$27,066 for the three months ended March 31, 2015. The increase in foreign currency transaction gain (loss) is primarily attributable to a stronger US Dollar versus the Australian Dollar and increased operating activities in Australia during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015.

### *Net loss*

Net loss increased to \$2,151,909 for the three months ended March 31, 2016 as compared with \$454,250 for the three months ended March 31, 2015. The increase is primarily attributable to an increase in operating expenses of approximately \$774,000, an increase in interest expense of approximately \$905,000, and a decrease in gain on debt settlements of approximately \$331,000 offset by an increase in the gain related to a change in fair value of derivative liability of approximately \$100,000 and an increase in foreign currency gain of approximately \$213,000.

## **For the Nine Months Ended March 31, 2016 compared to the Nine Months Ended March 31, 2015**

### *Revenue*

For the nine months ended March 31, 2016 and 2015, we generated no revenue because we are currently undertaking research and development activities for market approval and there were no sales generated in this period.

### *Administration Expense*

Administration expenses increased to \$2,620,324 for the nine months ended March 31, 2016 as compared with \$980,637 for the nine months ended March 31, 2015. This increase is primarily attributable to an increase in stock based expenses of approximately \$970,000 and an increase in professional fees of approximately \$500,000 during the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015.

### *Occupancy Expense*

Occupancy expense increased by approximately \$7,400 to \$15,062 for the nine months ended March 31, 2016. On May 1, 2015, we moved to new premises. On May 1, 2015, we entered into a month to month lease agreement with new landlord with a monthly rental fee of approximately \$2,200 AUD (\$1,687 USD at March 31, 2016). The increase is primarily attributable to an increase in monthly rent expense as compared to prior year period.

### *Research and Development Expenses*

Research and development was \$806,578 for the nine months ended March 31, 2016 as compared with \$15,797 for the nine months ended March 31, 2015. Research and development expenditures are primarily attributable to completing animal efficacy models on PRP and to completing the manufacturing, production of drug substance and product for preclinical and clinical trials, as well as undertaking formal toxicology studies and non clinical development. We are looking to raise sufficient capital to undertake the next stage of development for our current programs. We continue to expend our efforts to continue creating value by completing our patent filings and publishing our scientific discoveries, and we are negotiating with third parties to assist with raising the capital needed to complete our planned research and development activities.

### *Interest Expense/Income*

Interest expense increased to \$2,678,604 for the nine months ended March 31, 2016 as compared with \$847,942 for the nine months ended March 31, 2015. Interest expense is primarily comprised of \$1,853,000 debt discount amortization, and \$734,000 accretion of debt premium. This increase is primarily attributable to an increased debt discounts of convertible notes issued by the Company during the nine months ended March 31, 2016.

### *Change in Fair Value of Derivative Liabilities*

Change in fair value of derivative liabilities decreased to a loss of \$494,772 for the nine months ended March 31, 2016 as compared with a gain of \$79,940 for the nine months ended March 31, 2015. This decrease is primarily attributable to an increase in the issuance of convertible notes with repricing options and variable conversion pricing and a decrease in our stock price during the nine months ended March 31, 2016.

### *Foreign Currency Transaction Gain (Loss)*

Foreign currency transaction gain (loss) increased to a gain of \$47,366 for the nine months ended March 31, 2016 as compared with a loss of \$209,678 for the nine months ended March 31, 2015. The increase in foreign currency transaction gain (loss) is primarily attributable to a stronger US Dollar versus the Australian Dollar and increased operating activities in Australia during the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015.

### *Net loss*

Net loss increased to \$6,552,870 for the nine months ended March 31, 2016 as compared with \$1,586,167 for the nine months ended March 31, 2015. The increase is primarily attributable to an increase in operating expenses of approximately \$2,440,000, an increase in interest expense of approximately \$1,830,000, and an increase in the loss related to a change in fair value of derivative liability of approximately \$575,000.

## **Liquidity and Capital Resources**

	<b>For the Nine Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net cash used in operating activities	\$ (2,205,144)	\$ (697,541)
Net cash used in investing activities	\$ (676)	\$ (918)
Net cash provided by financing activities	\$ 3,668,190	\$ 684,500

Net cash used in operations was \$2,205,144 for the nine months ended March 31, 2016 compared to \$697,541 for the nine months ended March 31, 2015. This increase was primarily attributable to an increase in the net loss of approximately \$5,000,000, a decrease in prepaid expenses and other assets of approximately \$270,000 and a decrease in accounts payable and accrued expenses of approximately \$500,000 offset by an increase in common stock issued for services of approximately \$1,200,000, increase in loss on change in derivative liability of approximately \$575,000 offset by an increase in accretion of put premiums and amortization of debt discount of approximately \$2,400,000.

Net cash used in investing activities was \$676 for the nine months ended March 31, 2016 compared to \$918 for the nine months ended March 31, 2015. This decrease was primarily attributable to the decrease in purchase price of equipment purchased during the nine months ended March 31, 2016 as compared to nine months ended March 31, 2015.

Cash flows provided by financing activities for the nine months ended March 31, 2016 were \$3,668,190 compared to \$684,500 for the nine months ended March 31, 2015. During the nine months ended March 31, 2016, we had proceeds from convertible promissory notes of approximately \$4,178,000 offset by repayments of convertible promissory notes of approximately \$464,000 and loan repayments to principal stockholder and others of approximately \$45,000.

We have substantial capital resource requirements and have incurred significant losses since inception. As of March 31, 2016, we had \$1,479,026 in cash. Based upon our current business plans, we will need considerable cash investments to be successful. Although such capital requirements are in excess of what we have in available cash, we recently raised a significant debt financing of approximately \$4,000,000 which should give us enough available cash to meet our obligations over the next 12 months.

### **Related Party Transactions**

Since inception, Propanc Health Group Corporation has conducted transactions with directors and director related entities. These transactions included the following:

As of March 31, 2016 and June 30, 2015, the Company owed certain directors a total of \$56,743 and \$79,416 respectively, for money loaned to the Company throughout the years.

As of March 31, 2016 and June 30 2015, the Company owed two directors a total of \$35,168 and \$35,108, respectively, related to expenses paid on behalf of the Company related to corporate startup costs and intellectual property.

### **Going Concern Qualification**

The Company has incurred significant losses and cash used in operations, and such losses and use of cash are expected to continue. The Company's Independent Registered Public Accounting Firm has included a "Going Concern Qualification" in their report for the fiscal years ended June 30, 2015 and 2014. In addition, the Company has negative working capital and no revenues. The foregoing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans include seeking additional capital or debt financing. There is no guarantee that additional capital or debt financing will be available when and to the extent required, or that if available, it will be on terms acceptable to the Company. The unaudited consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The "Going Concern Qualification" might make it substantially more difficult to raise capital.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

#### **Item 4. Controls and Procedures.**

##### **Disclosure Controls and Procedures**

With the participation of our Chief Executive Officer and Chief Accounting Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Report. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer has concluded that, as of the end of such period, our disclosure controls and procedures were not effective due to the material weakness noted below, in ensuring that (i) information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Material weakness: due to the small size of its staff, the Company did not have sufficient segregation of duties to support its internal control over financial reporting. We plan to rectify this weakness by hiring additional accounting personnel once we have the necessary resources to do so.

##### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal controls over financial reporting during the quarter ended March 31, 2016, that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

The Company is presently in litigation with Typenex Co-Investment, LLC, a Utah limited liability company (“Typenex”), in private arbitration in the State of Utah. In connection with this arbitration, a lawsuit is also pending in the Third Judicial District Court of Salt Lake County, Utah, which has been stayed pending the outcome of the arbitration. Typenex is claiming funds due under a convertible promissory note dated June 4, 2015. The Company is actively defending all allegations made by Typenex, and has lodged a counter claim against the plaintiff in the arbitration. The Company does not believe the result of this litigation matter will have a material adverse effect on our financial conditions or results of operations.

The Company negotiated a settlement with JMJ Financial Inc., a Florida corporation (“JMJ”), and on December 10, 2015, the Company repaid cash of \$90,000 as payment in full of the promissory note and for full satisfaction and accord of all JMJ’s claims.

Other than above, to the best of our knowledge, there are no other material pending legal proceedings to which we are a party or of which any of our property is the subject.

### Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On September 24, 2015, we entered into a Promissory Note with a Lender whereby the Lender loaned us \$1,200,000 in exchange for the issuance of a Promissory Note (the “Promissory Note”). On October 1, 2015, we received cash of \$1,150,000 (\$1,200,000 less \$50,000 of legal fees) for the Promissory Note. Under the terms of the Promissory Note, if the Lender does not wish to proceed with a subsequent financing, the Promissory Note will also be convertible into common stock at the lower of (i) \$0.0346; or (ii) a twenty percent (20%) discount to the average of the two lowest closing prices of the common stock in the five trading days prior to the date of conversion. The Promissory Note is described in more detailed above under “Recent Development – Debt Financings”.

On October 28, 2015 (the “Closing Date”), we entered into a securities purchase agreement dated as of the Closing Date (the “Purchase Agreement”) with a third party purchaser (the “Purchaser”). The Purchase Agreement provides that, upon the terms and subject to the conditions set forth therein, the Purchaser will invest \$4,000,000 (“Investment Amount”) in exchange for a Convertible Debenture (the “Debenture”) in the principal amount of \$4,400,000 (the “Principal Amount”) and warrants to purchase an aggregate of 26,190,476 shares of the Company’s common stock, par value \$0.001 per share, for an exercise price of \$0.60 per share for a period of four (4) years from the Closing Date (the “Warrants”). Pursuant to the Purchase Agreement, on the Closing Date, the Company issued the Debenture and Warrant to the Purchaser. The Purchase Agreement, Debenture and Warrants are described in more detailed above under “Recent Development – Debt Financings”.

On March 11, 2016, the Company entered into an Addendum (the “Addendum”) with the Purchaser pursuant to which the Company and the Purchaser agreed to new terms with respect to the Purchase Agreement. The Addendum is described in more detailed above under “Recent Development – Debt Financings”.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not Applicable.

### Item 5. Other Information.

On April 14, 2016 (“Grant Date”), the Board of Directors of the Company, through unanimous written consent, granted 71,500,000 stock options at an exercise price of \$0.03 (market value of the Company’s stock on Grant Date), to each of its CEO and a director. 23,833,333 of such stock options vested on April 14, 2016 and expire on April 14, 2021, 23,833,333 of such stock options shall vest on April 14, 2017 (first anniversary of Grant Date) and expire on April 14, 2021 and 23,833,334 of such stock options shall vest on April 14, 2018 (second anniversary of Grant Date) and expire on April 14, 2021.

On April 14, 2016, the Board of Director of the Company, through unanimous written consent approved Amendment No.1 to the Nathanielsz Employment Agreement to include a provision in the Nathanielsz Employment Agreement pursuant to which the Company will pay Mr. Nathanielsz a monthly amount to cover the costs relating to Mr. Nathanielsz use of a vehicle. The foregoing description of this Amendment No. 1 is qualified in its entirety by reference to the provisions of Amendment No. 1 to the Nathanielsz Employment Agreement filed as Exhibit 10.9 to this Form 10-Q, which is incorporated herein by reference.

On April 14, 2016, the Board of Director of the Company, through unanimous written consent approved the payment of an annual bonus to the Company’s CEO based on certain performance achievements in 2015 in accordance with the terms of the Nathanielsz Employment Agreement. The bonus amount approved was \$200,000 (or 66.66% of the CEO’s current base salary).



**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
4.1	Promissory Note with Lender dated September 24, 2015, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 29, 2015.
4.2	Debenture dated October 28, 2015, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on November 3, 2015.
4.3	Warrant dated October 28, 2015, incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on November 3, 2015.
10.1	Security Agreement dated September 24, 2015, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 29, 2015.
10.2	Securities Purchase Agreement dated October 28, 2015, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 3, 2015.
10.3	Registration Rights Agreement dated October 28, 2015, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on November 3, 2015.
10.4	Security Agreement dated October 28, 2015, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on November 3, 2015.
10.5	Addendum, dated March 11, 2016, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on March 11, 2016.
10.6	Employment Agreement entered into as of February 25, 2015 by and between James Nathanielsz and Propanc Health Group Corporation, incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 filed on March 25, 2016.
10.7	Director Agreement entered into as of February 25, 2015 by and between Julian Kenyon Nathanielsz and Propanc Health Group Corporation, incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 filed on March 25, 2016.
10.8	Form of Scientific Advisory Board Member Agreement, incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 filed on March 25, 2016.
10.9	Amendment No.1 to Employment Agreement, dated April 16, 2016.
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PROPANC HEALTH GROUP CORPORATION**

Date: May 16, 2016

By: /s/ James Nathanielsz

Name: James Nathanielsz

Title: Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer

**AMENDMENT NO. 1**  
**TO**  
**EMPLOYMENT AGREEMENT**

This AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (this "Amendment") is made as of April 14, 2016 by and between Propanc Health Group Corporation, a Delaware corporation (the "Company") and James Nathanielsz (the "Executive").

**W I T N E S S E T H.**

WHEREAS, the parties hereto entered into that certain Employment Agreement, dated as of February 25, 2015 (the "Employment Agreement") (capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Employment Agreement); and

WHEREAS, the parties hereto desire to amend the Employment Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. A new Section 3.12 of the Employment Agreement shall be added to read as follows:

3.12 Company Vehicle. The Executive shall be paid an amount, to be determined by the Board, on a monthly basis for the purpose of acquiring and maintaining an automobile for the Executive's use. Such monthly amount may be adjusted as necessary to cover certain costs relating to the vehicle, including but not limited to, insurance, gas, repairs and parking.

2. Except as specifically set forth herein, the Employment Agreement and all of its terms and conditions remain in full force and effect, and the Employment Agreement is hereby ratified and confirmed in all respects, except that on or after the date of this Amendment all references in the Employment Agreement to "this Employment Agreement," "hereto," "hereof," "hereunder," or words of like import shall mean the Employment Agreement as amended by this Amendment.

3. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and such counterpart together shall constitute one and the same instrument.

4. This Amendment, including the validity, interpretation, construction and performance of this Amendment, shall be governed by and construed in accordance with the laws of the State of Nevada applicable to agreements made and to be performed in such State, without regard to such State's conflicts of law principles.

5. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. The Employment Agreement, as amended by this Amendment, embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

*[remainder of page intentionally left blank; signature page follows]*

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**SIGNATURE PAGE TO AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties hereto have executed this Amendment as of the date first written above.

COMPANY:

Propanc Health Group Corporation

By: /s/

\_\_\_\_\_  
Name: James Nathanielsz

Title: President and Chief Executive Officer

EXECUTIVE:

/s/

\_\_\_\_\_  
James Nathanielsz

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**CERTIFICATION  
OF PRESIDENT, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, James Nathanielsz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Propanc Health Group Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrants' other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2016

/s/ James Nathanielsz

James Nathanielsz

Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer and Principal Financial Officer )

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Propanc Health Group Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: May 16, 2016

*/s/ James Nathanielsz*

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James Nathanielsz  
Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer and Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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