Proteomics International
LABORATORIES LTD

Annual Report 2017

2017

ACN 169 979 971

ASX: PIQ

Corporate Directory

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

Company Secretary
Ms Karen Logan

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Bankers
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Chairman's Letter

Dear Fellow Shareholder,

On behalf of the Directors of Proteomics International Laboratories (Proteomics International; ASX: PIQ) I am pleased to introduce the 2017 Annual Report.

Proteomics International is a world leader in the study of proteins (proteomics). Our technology facilitates an unparalleled opportunity to discover new diagnostic tests and potential cures for disease. Proteomics International's research has led to the discovery of the revolutionary predictive test for diabetic kidney disease, PromarkerD.

2017 has been a significant year in Proteomics International's journey to commercialise PromarkerD, with the achievement of both scientific and commercialisation milestones:

- The completion of a Clinical Validation Study, confirming PromarkerD's effectiveness in predicting and diagnosing diabetic kidney disease.
- The signing of our first international licensing agreement to commercialise PromarkerD. Under the licensing agreement, the PromarkerD kits will be manufactured in the US territory of Puerto Rico, to be used in the Dominican Republic. Puerto Rico is favoured by a number of diagnostic manufacturers as an entry point to the USA, as it falls under the jurisdiction of the US Food and Drug Administration (FDA) guidelines. This deal is strategically significant as it offers a gateway to a future US roll-out of PromarkerD.
- Finalising an agreement to commence production of the PromarkerD test kit.
- PromarkerD being identified as the world-leading test for diabetic kidney disease by independent research firm Frost & Sullivan.
- The appointment of Mr Roger Moore to the Board. With over 40 years' experience in the international pharmaceutical industry, including almost 30 years as President of Novo Nordisk Japan, Roger brings key industry and sector experience which will be instrumental in commercialising PromarkerD.

The Company is continuing to work towards the achievement of future milestones for PromarkerD, and anticipates the first sales of the PromarkerD test kits in the 2018 financial year.

As part of the Company's sustainable growth strategy, Proteomics International has:

- Launched new analytical services, expanding its suite of fee-for-service analytical work.
- Upgraded its accreditation, solidifying its position as the world's most accredited protein testing laboratory.

Further detail is outlined in the Directors' Report.

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

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

Yours sincerely

Terry Sweet
Chairman

Why are proteins important?

Each cell in the body contains over 25,000 genes. Genes carry information that determine a person's hereditary traits. More importantly, genes are a recipe book that cells use to make proteins. Proteins are one of the building blocks of life, and are the operational molecules that do the work necessary for the body to function properly: for example, haemoglobins are proteins in red blood cells that carry oxygen from the lungs to the rest of the body; antibodies are proteins produced by the immune system to stop viral and bacterial intruders from harming the body.

Proteomics is the study of proteins on an industrial scale.

The caterpillar and the butterfly have exactly the same genome. The proteins that their cells make are why they are different. Looking at the differences in protein composition can tell us about the state of life, and health, of any organism.

Achievements 2016-17

BUSINESS ACHIEVEMENTS

- *First commercialisation deal signed for PromarkerD. Under the deal to commercialise PromarkerD in the Dominican Republic, PromarkerD test kits will be manufactured in the US territory of Puerto Rico, acting as a gateway to a future roll-out in the USA.*
- *PromarkerD was identified as the world's leading test for diabetic kidney disease by independent global research firm Frost & Sullivan.*
- *Patent granted for PromarkerD in Russia, complementing existing patents in the USA, Australia, Singapore and China.*
- *New analytical service launched for pharmacokinetic testing in clinical trials.*
- *Proteomics International named Western Australian Exporter of the Year 2016.*

SCIENTIFIC ACHIEVEMENTS

- *Completion of clinical validation study to confirm the results of the initial diagnostic and predictive clinical trials. PromarkerD predicted 86% of previously disease-free patients who went on to develop diabetic kidney disease within four years.*
- *Presentation of the results of the clinical validation study at the American Diabetes Association's 77th Annual Scientific Sessions in the Late-breaking Abstracts section of the conference in San Diego, USA.*
- *Publication of the results of the technology platform and original diagnostic clinical study in the peer-reviewed scientific journal EuPA Open Proteomics, proving the efficacy of the process used to develop and test PromarkerD.*
- *Proteomics International solidified its position as the world's most accredited protein testing laboratory, extending its ISO 17025 accreditation to cover Chemical Testing, and Research & Development in accordance with the OECD Principles of Good Laboratory Practice (GLP).*

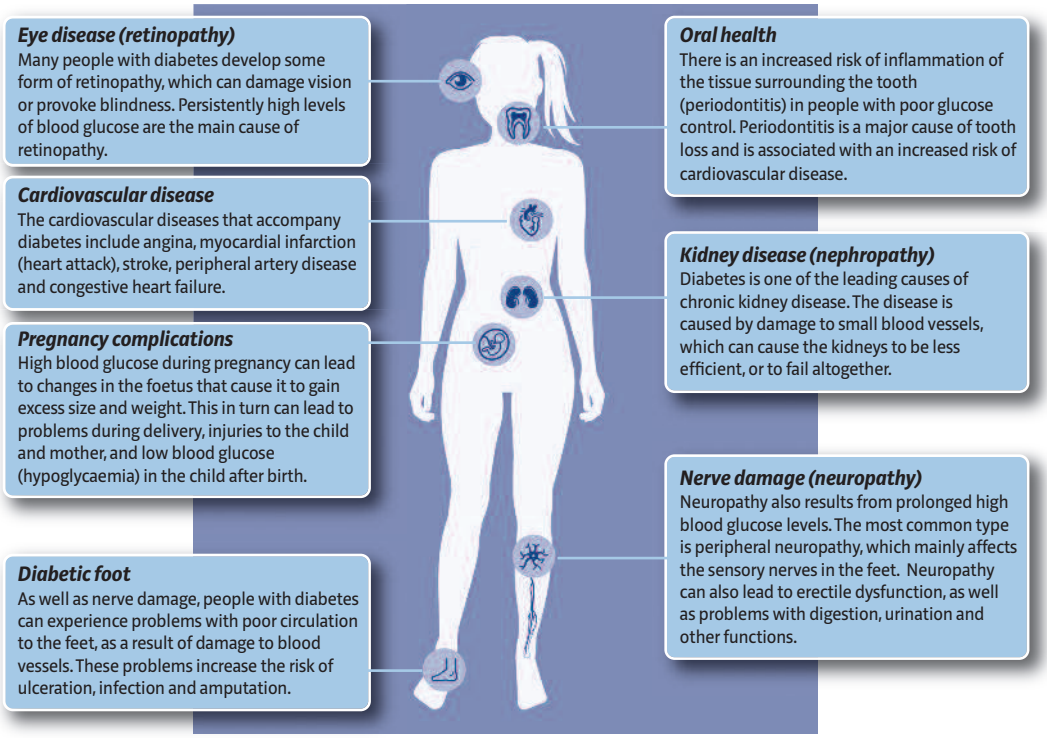
Window on the Science

Diabetes and diabetic kidney disease

Diabetes mellitus, commonly referred to as diabetes, is a chronic condition where the body does not produce enough of the insulin protein, or cannot effectively use the insulin it produces. Insulin is the hormone that regulates blood sugar (glucose). Consequently, uncontrolled diabetes can lead to having high levels of glucose in the blood. Over a period of time consistently high glucose levels can cause damage to blood vessels and organs in the body, leading to the many disabling and life-threatening conditions caused by diabetes.

The World Health Organisation (WHO) regards diabetes as one of the largest global health emergencies of the 21st century, with the number of people with diabetes growing rapidly worldwide. According to the International Diabetes Federation 415 million, or 1 in 11 adults, worldwide had diabetes in 2015.

It is further estimated that 1 in 2 adults with diabetes are undiagnosed. Since undiagnosed diabetics are less likely to monitor their blood glucose levels, they are at a higher risk of developing diabetes-related complications.



Diabetes complications

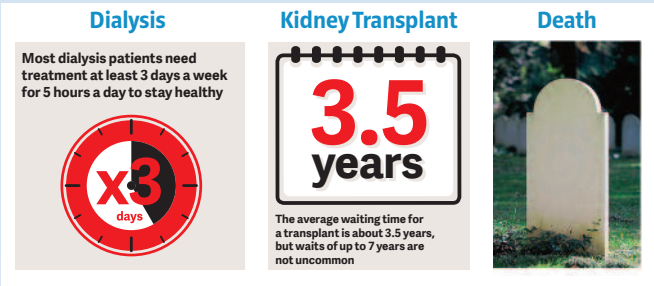
People with diabetes are at higher risk of developing a number of disabling and life-threatening health problems than people without diabetes. Consistently high blood glucose levels can lead to serious diseases affecting the heart and blood vessels, eyes, kidneys and nerves. People with diabetes are also at increased risk of developing infections. In almost all high income countries, diabetes is a leading cause of cardiovascular disease, blindness, kidney failure and lower-limb amputation. The growth in prevalence of type 2 diabetes in low- and middle-income countries means that without effective strategies to support better management of diabetes, it is likely that there will be large increases in the rates of these complications.

Diabetes complications can be prevented or delayed by maintaining blood glucose, blood pressure and cholesterol levels as close to normal as possible. Many complications can be picked up in their early stages by screening programmes that allow treatment to prevent them becoming more serious.

Diagram courtesy of IDF Diabetes Atlas Seventh Edition 2015

Pre-diabetes

Pre-diabetes is a condition where a person has blood glucose levels that are higher than normal, but not high enough to be diagnosed as diabetes. The higher than normal blood sugar levels can still cause complications. A person with pre-diabetes can often have unrecognised diabetic kidney disease.



Diabetic kidney disease

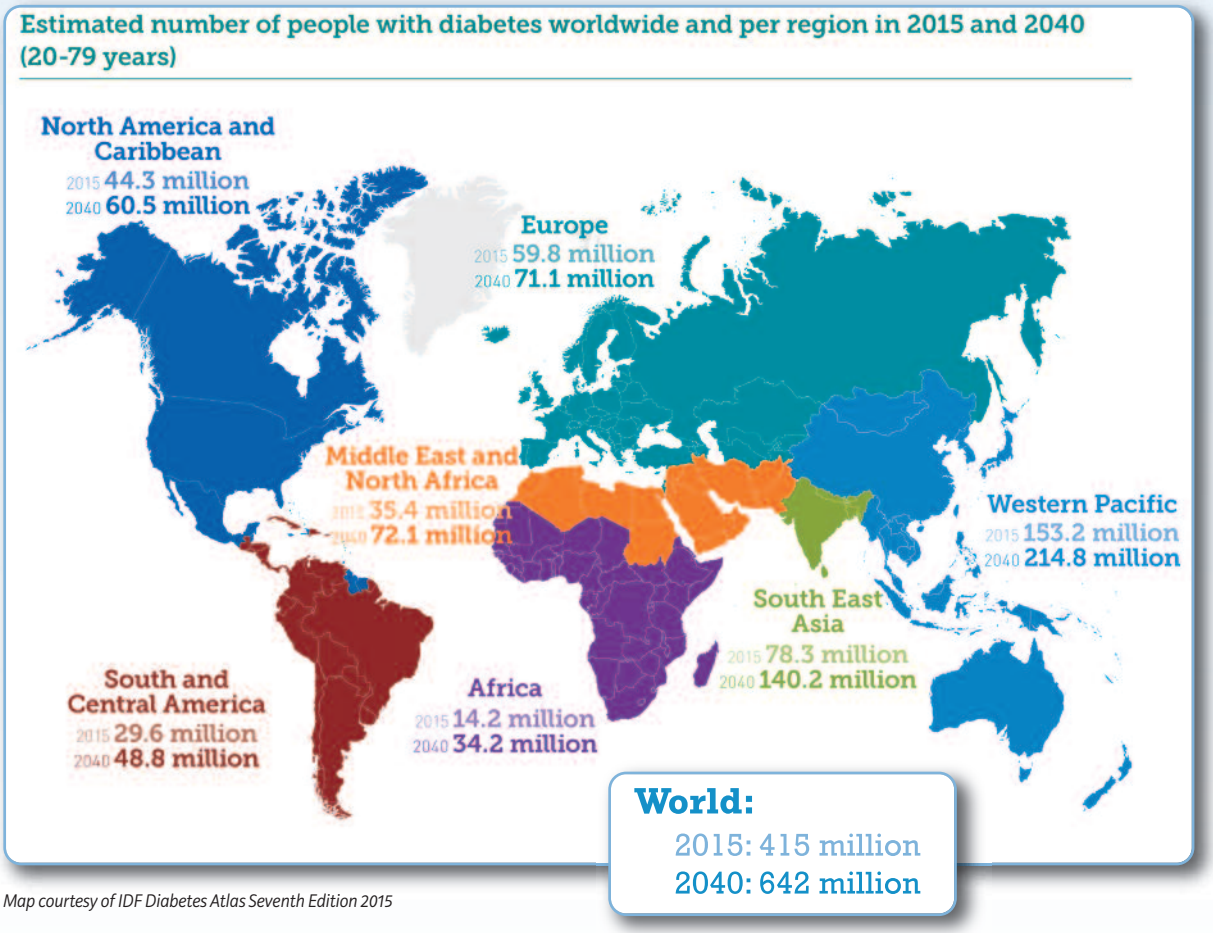
One of the major complications of diabetes is kidney damage. This is known as diabetic kidney disease (DKD) or chronic kidney disease (CKD). If the kidneys are damaged, then waste and fluids build up in the blood instead of leaving the body, leading to other health problems. In severe cases, diabetic kidney disease can lead to kidney failure. The only treatment options for kidney failure are dialysis or a kidney transplant.

The US Center for Disease Control states that 1 in 3 adult diabetics have chronic kidney disease, that's 138 million people. Once detected, chronic kidney disease can be treated through medication and lifestyle changes to slow down the disease progression, and to prevent or delay the onset of kidney failure. However, the only treatment options for kidney failure are dialysis or a kidney transplant.

Diagnosing diabetic kidney disease early is critical because it allows the patient to take steps to protect their kidneys from further damage. Current tests can only detect diabetic kidney disease after there has been kidney damage. There are no tests currently available to predict the clinical onset of diabetic kidney disease, with dialysis already costing more than $100,000 per person per year.

The International Diabetes Federation further predicts the number of diabetics will rise to 642 million by 2040, which, if unchecked, will increase the number of adults with chronic kidney disease by 76 million to 214 million. That's a potential new dialysis bill of $7.6 trillion per year.

PromarkerD can predict the clinical onset of diabetic kidney disease up to four years in advance.



Map courtesy of IDF Diabetes Atlas Seventh Edition 2015

Technology Snapshot

PromarkerD – a predictive and diagnostic test for diabetic kidney disease

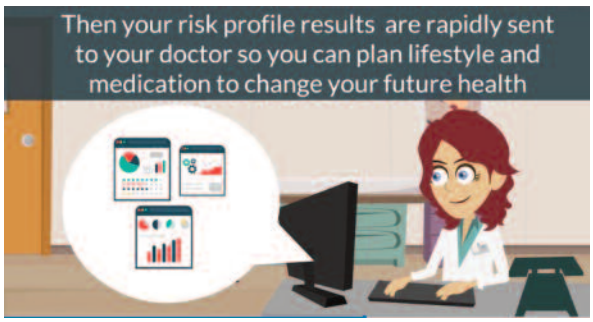
PromakerD is Proteomics International's revolutionary test that can diagnose and predict whether a patient will develop diabetic kidney disease before clinical symptoms are evident. There is currently no available test for predicting the onset of diabetic kidney disease.

The PromarkerD test has the potential to benefit:

- *Diabetics*
- *Undiagnosed diabetics*
- *People with pre-diabetes*
- *People at risk of any form of kidney disease*

How the PromarkerD test works:

The patient's blood is taken for testing in a pathology collection centre in a routine blood test.



The testing laboratory sends the results of the blood analysis to the PromarkerD hub for processing.

The patient's blood is analysed in the testing laboratory using the PromarkerD assay.

The PromarkerD hub analyses the blood results and determines the patient's risk of developing diabetic kidney disease in the next four years.

Once detected, diabetic kidney disease can be treated through medication and lifestyle changes to slow down the disease progression, and to prevent or delay the onset of kidney failure.

Images extracted from "The PromarkerD Test and How it Works". Visit **www.PromarkerD.com** *to view the full video*

The science behind Promarker D

To develop PromarkerD, Proteomics International used its Promarker platform to identify a panel of biological fingerprints of diabetic kidney disease that can both diagnose and predict the disease. The Promarker platform is a proprietary technology developed by Proteomics International. Promarker is able to identify biological markers (biomarkers) of complex diseases and conditions. Promarker works by identifying the 'protein fingerprint' unique to a disease that can be used to indicate or predict the risk of developing that disease.

Directors' Report

The Directors present their report on Proteomics International Laboratories Ltd (ASX:PIQ; Proteomics International or the Company) and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2017.

DIRECTORS

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

Mr Terry Sweet	(Non-Executive Chairman)
Dr Richard Lipscombe	(Managing Director)
Dr John Dunlop	(Non-Executive Director)
Mr Roger Moore	(Non-Executive Director) (Appointed 14 October 2016)

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

OPERATING RESULT

To be read in conjunction with the attached Consolidated Financial Report (see page 34).

The operating result for the year was:

		CONSOLIDATED	
	% Change	2017 $	2016 $
Loss before income tax	**(31)**	**(916,475)**	**(1,328,456)**
Loss for the year	**(31)**	**(916,475)**	**(1,328,456)**
Comprising			
Revenue and Other income	30	1,860,592	1,435,069
Expenses	0.5	2,777,067	2,763,525

The Group's financial report for the year ended 30 June 2017 includes:

- Operating revenue from services continued its upward trend reaching $925,358, a 13% increase compared to the previous year. Revenue from ordinary activities encapsulates income from the Company's analytical services, licensing fees, and grant income including the R&D Tax Incentive.
- Combined income from all sources rose 30% to $1.86 million.
- Operational expenditure remained steady at $2.78 million (2016: $2.76 million).
- The loss from ordinary activities is $916,475 which represents a year on year decrease of 31%.
- At 30 June 2017 the Company had cash and security deposits of $1.23 million. On the back of the Company's research and development focus it anticipates an R&D Tax Incentive cash rebate of $790,751, to be received in the September quarter 2017.

DIVIDENDS

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

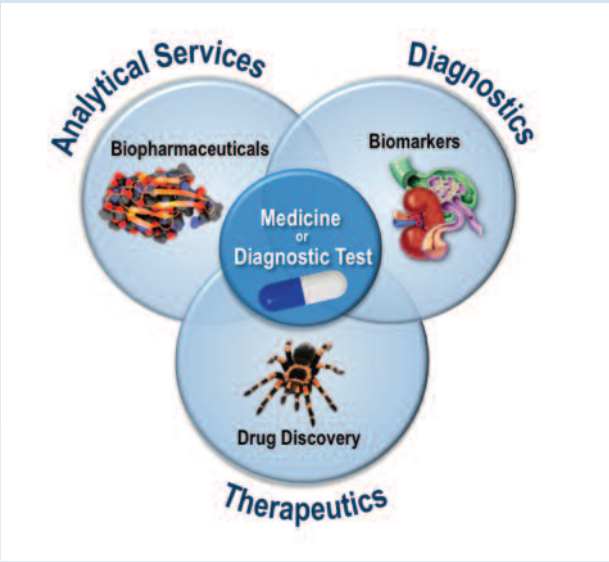
ISSUED CAPITAL

58,998,710 fully paid ordinary shares (ASX: PIQ) and 17,231,856 listed options (ASX: PIQO) exercisable at $0.20 each on or before 31 March 2018 were on issue as at 30 June 2017. Post year end a further 500,000 unlisted options exercisable at $0.25 each on or before 17 July 2019 were issued.

Review of Operations

Principal Activities

Proteomics International is a medical technology company focused on the area of proteomics – the industrial scale study of the structure and function of proteins. The Company's business model uses its proprietary technology platform across three integrated areas, each massive growth markets:



1. Diagnostics: Biomarkers of disease and personalised medicine - focus on diabetic kidney disease. By 2020 the biomarkers market is estimated to double in size to US$45.6 billion, and the personalised medicine market is forecast to be worth over US$149 billion[1].

2. Analytical services: Specialist contract research fee-for-service model – focus on biosimilars quality control and pharmacokinetic testing for clinical trials. The global biosimilars market is expected to reach US$10.5 billion by 2022, having surpassed US$3.3 billion in 2016 as it seeks to replicate the multiple billion dollar blockbuster drugs that are coming off patent[2].

3. Drug discovery: Therapeutic peptide drug discovery - focus on painkillers and antibiotics. The global peptide therapeutics market is currently estimated to be worth US$18 billion with a chronic need to find new drugs to combat bacterial infections[3].

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

[2] *Research and Markets 2017: Biosimilar Market: Global Industry Analysis, Trends, Market Size & Forecasts; Markets and Markets 2017: Biosimilars Market by Product*

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

Proteomics International's sustainable business model sees the Company use revenue generated from analytical services to fund pioneering research into next generation diagnostic tests and drug discovery. Proteomics International continues to invest heavily in its biomarker discovery program, the development of diagnostic tests and new fee-for-service methods.

In 2016-17, the Company has been focused on the commercialisation of its world leading predictive test for diabetic kidney disease, PromarkerD, and on increasing its future cash flow through the growth of its analytical services offering. The advances achieved highlight the importance of Proteomics International's diversified business model as it continues commercialisation of its blue-sky technology and aims for zero cash burn from normal operating activities in 2017-18.

DIAGNOSTICS

PromarkerD commercialisation highlights

Proteomics International signed its first commercialisation deal for PromarkerD, an exclusive licence for the PromarkerD assay for the diagnosis of diabetic kidney disease in the Dominican Republic. The licence granted to Macrotech and Omics Global Solution sees the diagnostic kit manufactured in Puerto Rico. Although the Dominican Republic has only 10.6 million people, the net present value in financial terms is in excess of US$1.5 million for the first nine years of the agreement. Manufacturing the kits in the US territory of Puerto Rico means they will fall under the umbrella of the US FDA guidelines, potentially acting as a stepping-stone for commercialisation in the massive US market.

The upfront licence fee under this deal has now been received, with a milestone payment due upon first commercial sale and subsequent minimum annual royalties payable. The first commercial sales of the in vitro diagnostic (IVD) kit are targeted for the end of 2017.

Proteomics International marked another strategic milestone in the commercialisation of PromarkerD with the signing of a production contract with Monash Antibody Technologies Facility. In undertaking its own development pathway for PromarkerD as an IVD test kit, in conjunction with ongoing partnering and licensing discussions, Proteomics International has multiple, complementary commercialisation pathways for PromarkerD as a Laboratory Developed Test (LDT), standard clinical pathology IVD test and Companion Diagnostic (CDx).

Proteomics International was also granted a patent for PromarkerD in the Russian Federation, which has the fifth largest number of adults with diabetes in the world (16.6 million). The patent came into effect on August 10, 2016, and will extend until September 20, 2031. Patent protection for PromarkerD has already been granted in the USA, Australia, Singapore and China, with patents pending in other major global jurisdictions.

Promarker™

To strengthen the global IP position the protein marker "Promarker" discovery platform has been registered as a trademark in Australia and is pending in multiple other major jurisdictions. Promarker® trademark protection has the potential to extend the lifespan of future revenue streams beyond the expiry of Proteomics International's patents.

PromarkerD achievements 2016-17

- *First commercialisation deal signed, worth in excess of US$1.5 million. Upfront licence fee received.*
- *Clinical studies confirm test can predict the onset of diabetic kidney disease up to four years in advance, and is better than any current measure in detecting the disease.*
- *Identified as world-leading test for diabetic kidney disease by independent research firm Frost & Sullivan.*
- *Test kit production deal finalised.*
- *Patent granted in Russia, complementing existing patents in the USA, Australia, Singapore and China.*
- *New website launched for PromarkerD, available at* **www.PromarkerD.com**

PromarkerD patents

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

Patent

Family One patents relate to a diagnostic test for diabetic kidney disease

Country	Application/ Patent No	Status
"Biomarkers associated with pre-diabetes, diabetes and diabetes related conditions" • Derived from International Patent Application PCT/AU2011/001212[1] • All patents valid until September 2031		
Australia	2011305050	Granted
Brazil	BR1120130067640	*Pending*
Canada	2,811,654	*Pending*
China	ZL201180053583.9	Granted
Europe	11826214.6	*Pending*
India	3012/DELNP/2013	*Pending*
Indonesia[2]	W00 2013 01585	*Pending*
Japan	2013-528474	*Pending*
Russia	2596486	Granted
Singapore[2]	188527	Granted
USA	US 9,146,243 B2	Granted "Method of assessing diabetic nephropathy using CD5 antigen-like"

[1] All patents are jointly owned by Proteomics International and University of Western Australia. Proteomics International has sole commercialisation rights
[2] Solely owned by Proteomics International

Family Two patents relate to a diagnostic test for kidney disease

Country	Patent No	Status
"Method for the diagnosis of kidney damage in the early stages" • All patents valid until July 2021		
Europe[3]	EP1410039	Granted/Licensed
USA[3]	US 7,842,463 B2	Granted/Licensed
"Method for predicting the progression of chronic kidney disease by measuring Apolipoprotein A-IV" • Patent valid until Sept 2025		
Europe[3]	EP1941274	Granted/Licensed

[3] Licensed exclusively to Proteomics International from the Medical University of Innsbruck

Trademark - Promarker™
- **Class 44 – Medical diagnostic services (No 1776917)**
- **Class 5 – Diagnostic apparatus for medical purposes including diagnostic kits (No 1806616)**

Country	Status
Australia	Granted
Dominican Republic, European Union, New Zealand	Accepted
China, India, Israel, Japan, Korea, Mexico, Russia, Singapore, USA	*Pending*

Independent report identifies PromarkerD as world-leading test for diabetic kidney disease

A report by global research house Frost & Sullivan singled out Proteomics International as the world leader in diagnostics for diabetic kidney disease. The March 2017 report, titled Biomarkers Enabling Diabetes and Obesity Management, says novel biomarker research "is likely to transform the future of obesity and diabetes management". It goes on to highlight PromarkerD, Proteomics International's novel test for diabetic kidney disease, noting its "high adoption potential". There is currently no available test for predicting the onset of diabetic kidney disease and Frost & Sullivan suggest Proteomics International is one of only two companies in the world developing such a test.

PromarkerD clinical highlights

The commercialisation milestones achieved by PromarkerD during the year were supported by the publication of studies confirming the effectiveness of the test in predicting diabetic kidney disease.

Clinical studies confirmed PromarkerD is able to predict diabetic kidney disease up to four years in advance across all major clinical definitions of rapid decline in kidney function. The Company's Clinical Validation Study showed PromarkerD can predict 86% of the previously kidney disease-free diabetic patients who go on to develop chronic kidney disease. There is currently no available test for predicting the onset of diabetic kidney disease.

PromarkerD can also diagnose diabetic patients already suffering from chronic kidney disease that the current standard tests miss.

The clinical studies were conducted in collaboration with The University of Western Australia. The results of the studies were presented at the American Diabetes Association's 77th Annual Scientific Sessions in June, the world's largest and most prominent meeting of diabetes experts. The results were also presented at the International Conference on Functional and Interaction Proteomics: Application in Food and Health in New Delhi, India.

As part of the Key Opinion Leader (KOL) adoption process, PromarkerD achieved another important validation step with the publication of data underpinning the test in February 2017. The publication followed an independent review by scientific experts and provided validation of the test and its global applicability. It proves the efficacy of the process used to develop and test the PromarkerD protein 'fingerprint', to produce a novel diagnostic test for diabetic kidney disease that outperforms current gold standards (the ACR and eGFR tests). It was published in the peer-reviewed scientific journal EuPA Open Proteomics, the official journal of the European Proteomics Association (EuPA).

Other diagnostics

To extend its pipeline, Proteomics International is continuing to invest in research and development of other potential diagnostic tests. Proteomics International has on-going research programs searching for the protein 'fingerprints' of endometriosis and mesothelioma:

Endometriosis affects one in ten women in their reproductive years (15-49) and costs $12,000 per year for every person diagnosed—both incidence and health burden are comparable with diabetes. The gynaecological condition causes chronic pain and infertility but is often difficult to diagnose. On average, it takes 8.5 years for women to be diagnosed from their first symptoms, and the current gold standard for detection is invasive surgery.

Mesothelioma is an asbestos related cancer that kills 59,000 people annually. The World Health Organisation estimates put the cost of treatment, compensation and settlement upwards of AU$667,000 for every sufferer. Early detection is crucial because there is a strong correlation between the age of diagnosis and survival. This research is being undertaken in collaboration with the University of Western Australia Medical School.

A collaboration with Murdoch University and a leading US veterinary company to develop a commercial diagnostic test for gastro-causing parasite Giardia is also continuing. A licence agreement is in place to ensure Proteomics International receives a royalty stream from sales of any test.

ANALYTICAL SERVICES

Proteomics International's analytics arm saw significant growth in 2016-17, with the launch of new services that have the potential to double the Company's fee-for-service revenue.

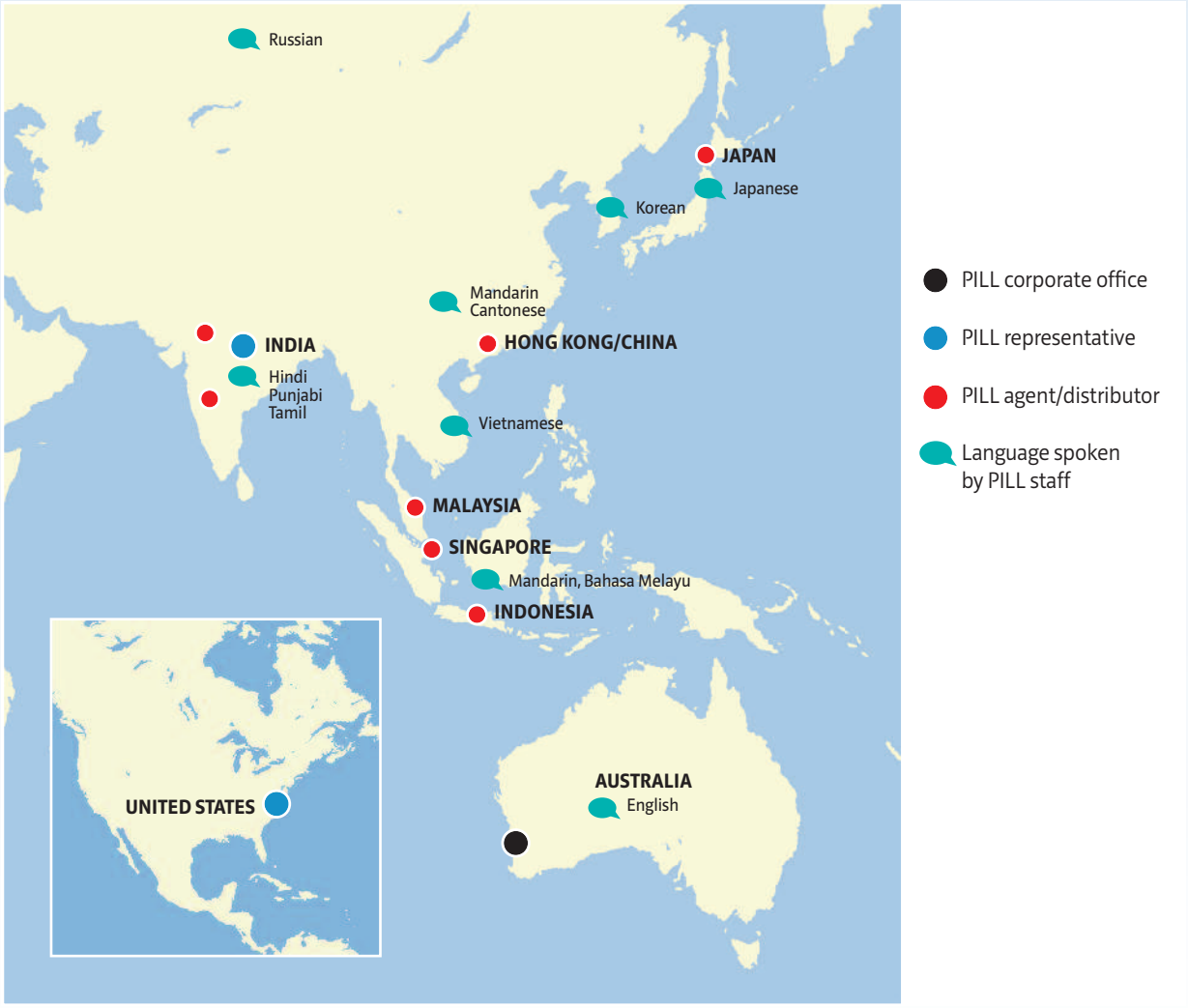
Proteomics International introduced a suite of new pharmacokinetic and companion diagnostic testing targeting preclinical and clinical trials. The Company signed a partnership agreement with Linear Clinical to offer a comprehensive analytical testing and clinical trial package, in which Proteomics International can conduct advanced bioanalytical testing for clinical trials performed at Linear. The new service targets the fast-growing biopharmaceuticals and oncology markets. The Company will test the patient response to drugs (pharmacokinetic testing), analysing blood samples to determine how long a drug stays in a person's system. It is one of only three companies to provide this specialist testing in Australia.

World's most accredited protein testing laboratory

ISO 17025 Quality is Assured

Proteomics International's new analytical service offering was launched off the back of the Company gaining ISO 17025 Research & Development certification, which includes compliance with the OECD Principles of Good Laboratory Practice (GLP). This extended the Company's existing certification for ISO 17025 in the field of Chemical Testing, and makes Proteomics International the world's most accredited protein testing laboratory.

ISO 17025 is the main standard for testing and calibration laboratories worldwide and is formal recognition of a laboratory's competence and technical expertise. Accreditation means that clients and regulatory authorities can have confidence in test results and helps companies identify reliable service providers.



DRUG DISCOVERY

Animal venoms are a rich source of potential medicines and cures. Proteomics International's therapeutic drug discovery program uses the Promarker platform to screen animal venoms to discover new analgesic (painkilling) and antibiotic drugs. The drug discovery program and library of venoms continued to be maintained whilst the Company focused on the commercialisation of PromarkerD and the provision of analytical services during the year.

BUSINESS DEVELOPMENT

Commercialisation of the Company's PromarkerD test and expansion of analytical services continued to be the strategic priorities during the year. In addition to the Company's operations in Australia, the USA, India and South East Asia, Proteomics International expanded its operations with the appointment of a new agent in Latin America.

Proteomics International named WA Exporter of the Year

Proteomics International's outstanding international success was recognised at the 2016 Western Australian Industry and Export Awards, with the Company taking out the WA Exporter of the Year award. Proteomics International beat Fortescue Metals Group and shipbuilding giant Austal to take out the top prize, and also won the Health and Biotechnology category for the second year running.

Trade and Industry events

The Company attended a number of targeted industry events over the year including the:

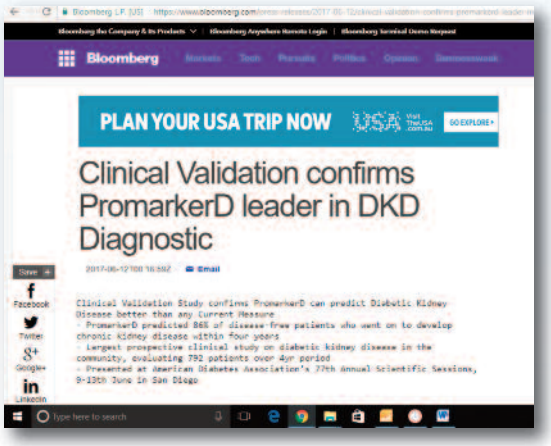
- Australia Biotech Investment Showcase as part of the International Biofest conference in Melbourne in October 2016
- Asian Investment Series hosted by AusBiotech in Singapore, Hong Kong and Beijing in March 2017
- Proactive Investors event in Melbourne and Sydney in April 2017
- International Conference on Functional and Interaction Proteomics: Application in Food and Health, in New Delhi, in December 2016
- Trade visit to India visiting the cities of Ahmedabad, Baroda, Pune and Mumbai during May 2017.
- American Diabetes Association's 77th Annual Scientific Sessions in San Diego in June 2017.

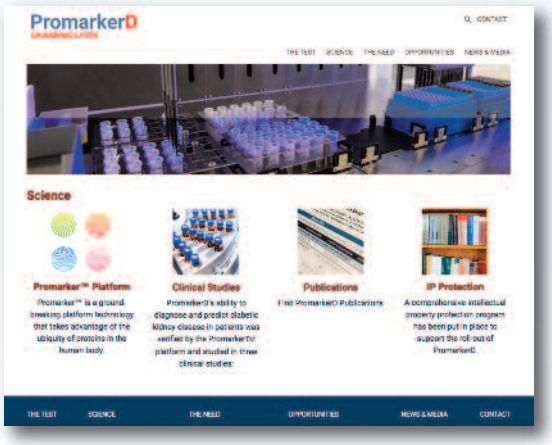
Media coverage

The Company's scientific and commercial achievements attracted international media coverage from a number of media outlets including:

- ACN Newswire
- BioSpace
- Bloomberg
- Business News Asia
- DDNews
- Fox 8
- International Business Times
- Reuters BRIEF

More detail can be found at **www.proteomics.com.au/newsroom/inthemedia/media-coverage/** and at **www.promarkerd.com/category/media-coverage/**





Scientific Publications

Proteomics International staff published two articles in academic journals:

- Casey T, Khan J, Bringans S, Koudelka T, Takle P, Downs R, Livk A, Syme R, Tan K, and Lipscombe R (2016) Analysis of Reproducibility of Proteome Coverage and Quantitation Using Isobaric Mass Tags (iTRAQ and TMT). Journal of Proteome Research
- Bringans S, Ito J, Stoll T, Winfield K, Phillips M, Peters K, Davis W, Davis T, Lipscombe R (2017) Comprehensive mass spectrometry based biomarker discovery and validation platform as applied to diabetic kidney disease. EuPA Open Proteomics

Company videos and website

Proteomics International launched two new specialist sites:

www.ProteomicsIndia.com

www.PromarkerD.com

and upgraded its main website, which is available at **www.proteomics.com.au** or **www.proteomicsinternational.com**

Proteomics International developed several videos:

- An overview of the Company and its technology **(www.proteomics.com.au/promarker-platform-for-personalised-medicine/)**
- The PromarkerD test and how it works **(www.promarkerd.com/the-test/)**
- In collaboration with Austrade, a video explaining the synergy between Australian industry and Indian pharma in the development of biosimilars **(www.proteomics.com.au/biosimilars/)**

Strategic collaborations

To ensure Proteomics International maintains its strength in research it works closely with the academic research community across Australia. Highlights of this include:

- The Harry Perkins Institute of Medical Research, Western Australia, where the company has held close ties since 2006, and where Proteomics International is head-quartered.
- Bioplatforms Australia, a federal body instigated as part of the National Collaborative Research Infrastructure Scheme (NCRIS) to facilitate a national capability in the 'omics sciences (genomics, proteomics, metabolomics and bioinformatics). Proteomics International manages the Western Australian node of Proteomics Australia in partnership with the Harry Perkins Institute of Medical Research.
- Australian Research Council Training Centre for Personalised Therapeutics Technologies, part of the federal Industrial Transformation Training Centres (ITTC) scheme. This is a $3.1 million partnership between university-based researchers and industry end-users to provide Postdoctoral and Higher Degree research candidates with industrial training. The centre is hosted by the University of Melbourne, Monash University and the University of Western Australia.
- Accelerating Australia, focused on translational research and training for medical technology in partnership with the Medtech and Pharma (MTP Connect) Growth Centre. This is a national consortium led by the Centre for Entrepreneurial Research and Innovation, WA.
- The Forrest Research Foundation, which provides the prestigious Forrest Scholarships for Higher Degree Research candidates in Western Australia. Ms Nguyet (Marisa) Duong is currently embedded part-time within Proteomics International's laboratories as she conducts her PhD on 'Exploring the thiol proteomes in Duchenne Muscular Dystrophy via Mass Spectrometry', a project based on a methodology patent held by the Company.

Proteomics International has also initiated an Industrial Scholarship in memory of Dr Bill Parker, the Company's co-founder. The scholarship gives Western Australian school leavers the opportunity to develop skills and experience in the biotechnology & life science industry during their gap year, and who seek to pursue a tertiary science education in the eastern states.

CORPORATE

Board changes

Proteomics International strengthened its Board with the appointment of Mr Roger Moore on 14 October 2016 as Non-Executive Director. Mr Moore has international pharmaceutical industry experience spanning 40 years, including almost 30 years as President of Novo Nordisk Japan (Novo Nordisk is the world's largest manufacturer of insulin and a global leader in diabetes care). From 2000, he was appointed Novo Nordisk's Senior Vice President, Japan and Oceania Region. He has also served as a member of the Senior Management Board, Novo Nordisk A/S.

Capital raising

Proteomics International raised $2 million through a Placement and Share Purchase Plan to accelerate the developments in its diagnostics and analytical services operations described above. The oversubscribed Placement raised $1.44 million with support from existing and new investors. The Share Purchase Plan also received overwhelming support from existing shareholders, and was 36% oversubscribed before scale-backs were applied.

The funds are primarily being used to support the commercialisation and product development of Proteomics International's flagship diagnostic product PromarkerD, and to speed the rollout of Proteomics International's new analytical testing services for the fast-growing clinical trials market.

Investor research coverage

Independent Investment Research (IIR) initiated coverage of Proteomics International in April 2017. IIR is an independent investment research house based in Australia and the United States specialising in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. The IIR report reviewed the Proteomics International business model and concluded there was significant discount in the Company's valuation based on sum of parts and risk adjusted valuation models. The report further stated "the breakthrough diagnostic test (PromarkerD) has the potential to provide Proteomics International with significant upside value". The report is available from the Company website.

Investor relations

In June 2017 the Company appointed Canary Capital to provide Investor Relations services. Canary Capital is a newly-formed group and the Board of Proteomics International believes that their combined experience and network of contacts will deliver greater engagement with a broader market, and assist in raising the profile of Proteomics International.

Their services are provided on reasonable commercial terms, and include the issuance of options to acquire shares in PIQ at increasing share and exercise prices:

(a) 500,000 upon engagement, exercisable at 25 cents per option;

(b) 500,000 upon PIQ shares achieving a 5 day VWAP of 25 cents or higher, exercisable at 35 cents per option; and

(c) 500,000 upon PIQ shares achieving a 5 day VWAP of 35 cents or higher, exercisable at 60 cents per option;

each tranche exercisable within 2 years of issuance. The first tranche of 500,000 options have been granted.

Likely Developments

Proteomics International's strategy for the 2017-18 financial year is to focus on two areas: the commercialisation of its world leading predictive test for diabetic kidney disease, PromarkerD, and increasing its future cash flow through the growth of its analytical services business.

PromarkerD

The Company's commercialisation strategy for PromarkerD is to:

1. engage with potential licensees whilst developing core components of the test kit;
2. strengthen the intellectual property (IP) position through patents and trademarks; and
3. engage with Key Opinion Leaders (KOL) through peer-reviewed publication to encourage adoption of PromarkerD.

With this strategy Proteomics International believes that the PromarkerD diagnostic and predictive test can be delivered to the market via three complementary routes, depending on the laboratory or commercialisation partner's capabilities and purpose.

Status update:

- **Partnering discussions are on-going with diagnostic and pharmaceutical companies in the USA, China, Europe, Australia and Japan**
- **LDT could be brought to market in the USA and Europe in an accelerated timeframe**
- **21 drugs are in clinical trials for DKD – PromarkerD can act as a companion diagnostic test to identify patients for whom a drug will or will not work**

Potential Value

Separate licences to the PromarkerD technology would be granted for each route to market. From any such licensing deal Proteomics International could receive upfront licence fees, milestone payments (for example, upon first commercial sale), and subsequent minimum annual royalties.

Deal size is normally dependent upon the size of the market and whether a deal is exclusive. As a comparison the Dominican Republic has a population of 10.6 million people and only 0.12% of the world's diabetics. The net present value of the Dominican Republic (IVD) licensing deal was US$1.5 million.

The targeted commercialisation milestones for PromarkerD are:

PromarkerD Milestones	2017-18			
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
IP protection and KOL engagement				
Key patents secured and extended [1]	✓			
Predictive test clinical study results published	■			
IVD roll-out (Dominican Republic)				
Prototype kit manufacture complete		■		
First commercial sales of IVD			■	
Milestone payment for first commercial sales			■	
Licensing				
First licensing deal/partnership for LDT		■		
First licensing deal/partnership for CDx			■	
Second licensing deal for IVD				■

1. An expansion of the PromarkerD patent was granted in August (see Events Since the End of the Financial Year) and further patenting progress is likely through 2017-18.

Laboratory Developed Test (LDT)

Pathology laboratories can carry out PromarkerD analysis using an LDT. In an LDT, specialised laboratories use mass spectrometers to measure the protein fingerprint in the patient's blood. The data is then sent to the PromarkerD hub for processing and diagnosis.

In Vitro Diagnostic (IVD)

Pathology laboratories can carry out PromarkerD analysis using an IVD. In an IVD, laboratories use traditional immunoassay technology, standard to all pathology laboratories, to measure the protein fingerprint. The data is then sent to the PromarkerD hub for processing and diagnosis.

Companion Diagnostic (CDx)

PromarkerD can act as a companion diagnostic test to identify patients for whom a drug will or will not work. A CDx can reduce drug failure rates in clinical trials and also improve patient outcomes by determining the effectiveness of a therapy.

Analytical Services

Proteomics International's diversified business model allows it to continue the commercialisation of PromarkerD while expanding its analytical services with the aim to be cashflow neutral by the end of the 2017-18 financial year.

The Company expects to see substantial growth in revenue from:

- **Analytical testing for the fast growing biosimilars (protein generic drugs) market**
- **New biosimilars service launched in June 2017 in 'batch release' testing and long-term and accelerated stability testing**
- **New pharmacokinetic (PK), pharmacodynamic (PD), and companion diagnostic (CDx) testing services for clinical trials launched in May 2017**
- **Contract biomarker discovery using the Company's proprietary Promarker™ platform technology**

R&D Tax Incentive

The Company will also continue to undertake new research and development activities to advance its diagnostics programme, underpin its analytical services by creating new fee-for-service methods, and sustain its drug discovery programme.

Under the Federal R&D Tax Incentive these activities attract a cash rebate of 43.5% of eligible expenditure. In 2017 Proteomics International has determined its R&D expenditure to be $1,817,818, which makes it eligible for a rebate of $790,751.

Material Business Risks

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

Commercialisation risk

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

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

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

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

Drug market risk

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

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

Intellectual Property

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

(i) General

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

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

(ii) Entitlement to Priority

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

(iii) Securing a Patent

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

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

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

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

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

Reliance on key personnel

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

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

Regulatory risk

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

Funding risk

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

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

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

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

Insurance risk

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

Exchange rate risk

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

Dependence on Key Relationships

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 14 July 2017, Proteomics International announced that it had won a major analytical services contract in a new biosimilars area. Proteomics International has entered into a long-term partnership with Dutch/Australian company BiosanaPharma to test a new treatment for allergic asthma. The Company will conduct characterisation analysis of BiosanaPharma's product over a period of 12 months, including what is known as long-term and accelerated stability testing. The agreement marks Proteomics International's largest biosimilars contract to date, and is worth in excess of A$200,000.

On 17 July 2017, the Company granted 400,000 options exercisable at $0.25 each on or before 17 July 2019 to its investor relations adviser, Canary Capital, as part consideration for services rendered. A further 100,000 options were granted to the adviser on the same terms on 17 August 2017.

On 16 August 2017, an expansion of the US PromarkerD patent was granted to cover all kidney disease. Previously the US patent was restricted to diabetic kidney disease only. This represents a potential doubling in size of the addressable market for the test, with kidney disease the ninth leading cause of death in the United States, accounting for 48,000 deaths a year, and related healthcare spending exceeding US$50 billion annually.

ENVIRONMENTAL REGULATIONS

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

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

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

GOVERNANCE

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

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

Board of Directors and Operational Team

BOARD OF DIRECTORS

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

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's interest in securities of the Company		
			Shares	Options	Performance rights
Mr Terry Sweet FAICD 	Terry has been a Director of several listed companies over the past 30 years in both executive and non-executive capacities. These companies include XRF Scientific Ltd, where he was Managing Director for 4 years, Western Biotechnology Ltd, Heartlink Ltd, and Scientific Services Ltd. Originally trained as a chemist, his interests and expertise now lie in the area of development and supervision of a culture of Board integrity, commensurate with technology commercialisation. Terry is a Fellow of the Australian Institute of Company Directors and has been involved with the Company for 3 years.	Chairman	1,098,000	2,758,875	-
Dr Richard Lipscombe PhD (London), MA (Oxford) 	Richard, a co-founder of the Company, is a highly practised business manager and protein chemist expert in analysing bio-molecules using proteomics techniques. He has an extensive expertise in chemistry, immunology, mass spectrometry, peptide synthesis, high performance computing and robotics. Richard has international experience in both science and business gained over a 30-year period in Australia, USA and the UK, including work in hospital and academic laboratories and commercial organisations. He completed his chemistry degree (MA) at Oxford University, his PhD in immunology at London University and was a Post-Doctoral scientist (molecular immunology) in a large research institution in Australia (Telethon Kids Institute). After managing the Protein Analysis Facility at the University of Western Australia, he co-founded Proteomics International Pty Ltd in 2001. Richard is well published in peer review journals, and holder of several patents. Richard has been with the Company for over 16 years.	Managing Director	16,253,781	3,385,321	75
Dr John Dunlop PhD, BSc (UWA) 	John has been a director and founder of several ASX-Listed companies covering analytical laboratories, mineral exploration and finance including a founding directorship of the beta-carotene producer Western Biotechnology Limited (subsequently acquired by Hoffman-La-Roche). John's previous companies include Black Mountain Gold NL Menzies Court Ltd (now PBD Developments Limited), and Sheen Analytical Services (which listed as Scientific Services Ltd). John has been involved with the Company for 16 years.	Nil	5,429,188	375,000	20
Mr Roger Moore R (Denmark), BPharm (U. Syd) 	Roger has 40 years' experience in the international pharmaceutical industry, including almost 30 years as President of Novo Nordisk Japan (Novo Nordisk is the world's largest manufacturer of insulin and a global leader in diabetes care). Roger established Novo's organisation in Japan as the first employee in 1977, and worked for the company until his retirement as Chairman at the end of 2007. From 2000, Roger was appointed Senior Vice President, Japan and Oceania Region, responsible for Novo Nordisk's business in Japan, Australia, New Zealand and the Pacific. He was also appointed a member of the Senior Management Board, Novo Nordisk A/S. In 2007 Mr Moore was awarded the Knight's Cross of the Order of the Dannebrog (R) by Queen Margrethe II of Denmark. Roger joined the Board in October 2016.	Nil	187,000	-	-

Current and former directorships

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

COMPANY SECRETARY

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

Karen Logan is a Chartered Secretary with over 14 years' experience in assisting small to medium capitalised ASX-listed and unlisted companies with compliance, governance, financial reporting, capital raising, merger and acquisition, and IPO matters. She is presently the principal of a consulting firm and secretary of a number of ASX-listed companies, providing corporate and accounting services to those clients.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors	
	A	B
Mr Terry Sweet	10	10
Dr Richard Lipscombe	10	10
Dr John Dunlop	10	10
Mr Roger Moore +	7	7

A = Number of meetings attended
B = Number of meetings held during the time the director held office
+ = Appointed 14 October 2016

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

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

OPERATIONAL TEAM

Proteomics International has established and maintained a highly qualified, multi-lingual group of people with well balanced commercial and scientific expertise.

Head of Business Development - ***John C. Morrison***

John C. Morrison has over 35 years' experience in life sciences, biotechnology, and diagnostic industries. John has a degree in chemistry and an MBA from Boston University. He has held several management positions while at NEN Life Sciences and DuPont before focusing his last 15 years in Business Development at Perkin Elmer. John has successfully executed many licensing deals and several global acquisitions while in that role. John is based in Massachusetts, USA and joined the Company in May 2014. He is supported by Ms Sreeja Sony (India), Dr Javed Khan (India), Ms Sue Wong (Global), and Mr Roger Moore (Japan).

Chief Operating Officer - ***Dr Pearl Tan***

Pearl joined Proteomics International in 2013 to lead the commercialisation of its patented 2tag technology (used for the measurement of oxidative stress). Pearl has a background in Research and has completed her PhD in Biochemistry and Molecular Biology at The University of Western Australia. Pearl is now working with the business development team to commercialise the PromarkerD test. Pearl is responsible for managing the Company's technical operations.

Research Manager - ***Dr Scott Bringans***

Scott has 20 years' experience in protein chemistry and mass spectrometry and leads the diagnostics program encompassing PromarkerD. Alongside this is the development of novel methodology to add to Proteomics International's technology platform and continually expand the fee-for-service and quality testing portfolio. Scott has been with the Company for 11 years and his core team members include Dr Tammy Casey, Dr Jason Ito, and Dr Kirsten Peters.

Customer Services Manager - ***Shane Herbert***

Shane joined Proteomics International in June 2017 as the Customer Services Manager overseeing the areas of pharmacokinetics, biosimilars/biologics and biomarker projects. Shane has significant commercial Life Sciences experience gained from working with various companies including private biotech, large pharma, commercial instrument vendors and most recently with the Australian Genome Research Facility. Shane took over the responsibilities carried out by Andreja Livk, the Company's Contract Services Manager who had been with Proteomics International for over 15 years. Other core team members include Dr James Lui, Dr Tom Koudelka and Laboratory Manager Hitormi Lim.

Remuneration Report

REMUNERATION REPORT (Audited)

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

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

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

- Mr Terry Sweet — Non-Executive Chairman (independent)
- Dr Richard Lipscombe — Managing Director
- Dr John Dunlop — Non-Executive Director
- Mr Ian Roger Moore — Non-Executive Director (independent, appointed 14 October 2016)

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

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

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

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

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

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

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

Non-Executive Directors

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

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

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

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

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

No retirement benefits are provided other than compulsory superannuation.

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

Non-Executive remuneration mix

The following table sets out the executives' remuneration mix:

Fixed $	"At risk" $	Total $
99,047	0	99,047

Executive Directors

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

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

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

REMUNERATION REPORT (continued)

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

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

Executive remuneration mix

The following table sets out the executives' remuneration mix:

Fixed $	"At risk" $	Total $
170,000	0	170,000

CONSOLIDATED ENTITY PERFORMANCE AND LINK TO REMUNERATION

Given the nature, size and scale of the Group and its current position with regard to profitability and share price the Board has determined that a direct link between remuneration and the Company's performance is difficult to achieve and not realistic. The Board does however acknowledge that the performance rights have been structured so that the achievement of the hurdles will result in a substantial benefit to the Company and if they were achieved in the 2018 financial year would result in a profit before tax.

USE OF REMUNERATION CONSULTANTS

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

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

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

B. Remuneration Governance

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

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

C. Details of Remuneration

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

2017	Short-term benefits Directors fees $	Salary $	Post-employment benefits Superannuation $	Other-long term benefits leave Long service & Annual leave $	Share based benefits[3] Performance rights $	Total $	Percentage remuneration consisting of rights %	Performance related %
Non-Executive Directors								
Terry Sweet	50,000	-	4,750	-	-	54,750	-	-
John Dunlop	30,000	-	2,850	-	(45,339)	(12,489)	0	-
Roger Moore	19,047	-	1,809	-	-	20,856	-	-
Executive Director								
Richard Lipscombe	-	170,000	16,150	18,014	(177,258)	26,906	0	-
TOTAL	**99,047**	**170,000**	**25,559**	**18,014**	**(222,597)**	**90,023**		
2016								
Non-Executive Directors								
Terry Sweet	50,000	-	4,750	-	-	54,750	-	-
John Dunlop	30,000	-	2,850	-	34,916	67,079	61	-
Bill Parker[1]	30,000	-	2,850	-	51,346	84,196	51	-
Executive Directors								
Richard Lipscombe	-	165,000	15,675	12,702	128,362	321,739	40	-
James Moses[1,2]	-	80,000	-	8,666	-	88,666	-	-
TOTAL	**110,000**	**245,000**	**26,125**	**21,368**	**213,937**	**616,430**		

1. *Resigned 30 June 2016*
2. *Paid via Mandate Corporate*
3. *Non-monetary adjustment for benefits attributed in previous years but now expired/reduced in value*

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

REMUNERATION REPORT (continued)

D. Directors Agreements

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

Mr Terry Sweet *(Chairman)*

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

Dr John Dunlop *(Non-Executive Director)*

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

Mr Ian Roger Moore *(Non-Executive Director)*

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

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

Dr Richard Lipscombe, *Managing Director*

Particulars	Terms
Term of the agreement	No fixed term
Base remuneration	$170,000 + performance rights (see section E)
Superannuation	Statutory rate
Bonus payable	At the absolute discretion of the Board
Leave entitlements	30 days annual leave and no long service leave
Termination of agreement	1 month (incapacitated / ill / unsound mind), 1 month (serious or persistent breaches), immediate (conviction / major criminal offence)

Other long term benefits

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

E. Share-based Compensation

Rights

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

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

No performance rights were issued in the 2016 or 2017 financial years.

Set out below are summaries of rights granted by the Company to directors during the year:

Grant date	Expiry date[1]	Balance at start of the year Number	Granted during the year Number	Cancelled Number[3]	Vested during the year Number	Balance at end of the year Number	Fair Value at grant date [2]
27 Oct 2014	13 Apr 2019	50	-	50	-	0	571,429
27 Oct 2014	13 Apr 2019	25	-	6	-	19	285,714
27 Oct 2014	13 Apr 2020	100	-	24	-	76	1,142,857
Total		**175**	**-**	**80**	**-**	**95**	**2,000,000**

1. Based on the maximum period to expiry of hurdle 2.
2. Based on the maximum value available if all rights are achieved taking into account the cap on the number of shares issued.
3. Fifty 'A' rights expired 16 April 2017. Six 'B' and 24 'C' rights were held by Dr Bill Parker and have now lapsed.

Rights Directors of PILL	Balance at the start of the year	Granted as compensation	Cancelled	Converted during the year	Balance at the end of the year	Unvested	Vested and convertible
Directors							
John Dunlop	28	-	8	-	20	20	-
Richard Lipscombe	105	-	30	-	75	75	-

REMUNERATION REPORT (continued)

F. Additional information

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

	2017 $
Total income	1,860,592
EBITDA and non-cash	(686,217)
EBIT	(851,427)
Profit/(Loss) after tax	(916,475)

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

	2017 $
Share price at listing date ($A)	0.20
Share price at financial year end ($A)	0.16
Total dividends declared (cents per share)	-
Basic loss per share (cents per share)	(0.02)

G. Additional disclosure relating to key management personnel

Shareholding

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

Director	Balance at the start of the year	Received as part of remuneration	Other changes during year[1]	Balance at the end of the year
2017				
Terry Sweet	1,035,500	-	62,500	1,098,000
Richard Lipscombe	16,141,281	-	112,500	16,253,781
John Dunlop	5,305,188	-	124,000	5,429,188
Roger Moore	125,000	-	62,000	187,000

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

Option holding

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

Director	Balance at the start of the year	Received as part of remuneration	Other changes during year	Balance at the end of the year
2017				
Terry Sweet	2,758,875	-	-	2,758,875
Richard Lipscombe	3,385,321	-	-	3,385,321
John Dunlop	375,000	-	-	375,000
Roger Moore	-	-	-	-

H. Transactions with key management personnel

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

(i) Loans from directors

Director	Balance at the start of the year	Interest charged[1]	Interest not charged	Amounts forgiven	Balance at the end of the year	Highest balance of the loan during the year
2017						
Richard Lipscombe	428,212	16,510	-	-	366,392	428,212
John Dunlop	3,379	101	-	-	0	3,379
	431,591	**16,611**	**-**	**-**	**366,392**	**431,591**

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

The terms of the loans are as follows:

Particulars	Terms
Principal amount ($A)	$366,392
Interest rate on loan ($A)	4% per annum
Period of loan	4 years from the date of listing on the ASX
Repayment of loan	In cash at any time (at the election of the Company) or at maturity in cash or in shares at the market price on the date of conversion.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option
8 April 2015	31 March 2018	20 cents	3,110,000
29 October 2015	31 March 2018	20 cents	12,621,856
13 December 2016	31 March 2018	20 cents	1,500,000
17 July 2017	17 July 2019	25 cents	500,000
			17,731,856

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

Options that were converted into shares during the year was 325 (2016: 23,182).

INSURANCE OF OFFICERS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

There were no non-audit services provided by the auditor (BDO Auditors) during the 2017 or 2016 financial years.

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

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

AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Terry Sweet
Chairman
Perth, Western Australia
Dated 30 August 2017

Auditor's Independence Declaration

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Australia

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

As lead auditor of Proteomics International Laboratories Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2017

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Revenue from continuing operations			
- Services		925,357	816,845
Other Income			
- Grant income		127,878	-
- Interest income		15,409	34,129
- Other income	2 (b)	1,197	11,826
- Research and development tax incentive	2 (a)	790,751	572,269
Employment and labour expenses	2 (c)	(1,536,027)	(1,494,146)
Share based payments credit (expense)	13	151,288	(213,937)
Depreciation expense		(165,210)	(2,717)
Intellectual property maintenance expenses		(116,270)	(55,047)
Interest expense		(65,048)	(32,507)
Laboratory supplies		(369,024)	(253,784)
Professional fees		(217,457)	(223,645)
Travel and marketing expenses		(137,271)	(137,705)
Laboratory access fees		(93,436)	(90,920)
Realised loss in foreign currency translation	2 (b)	(9,176)	(5,677)
Other expenses		(219,436)	(253,440)
(Loss) before income tax		(916,475)	(1,328,456)
Income tax (expense) / benefit	3 (a)	-	-
(Loss) after income tax from continuing operations		(916,475)	(1,328,456)
Total comprehensive loss for the year		(916,475)	(1,328,456)
Total comprehensive loss attributable to equity holders of Proteomics International Laboratories Ltd		(916,475)	(1,328,456)
Basic loss per share for the year attributable to the members of Proteomics International Laboratories Ltd	24	(0.02)	(0.03)
Diluted loss per share		N/A	N/A

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	Consolidated Entity 2017 $	Consolidated Entity 2016 $
CURRENT ASSETS			
Cash and cash equivalents	4	775,140	582,256
Trade and other receivables	5	317,858	141,990
Other assets	6	1,283,933	876,871
TOTAL CURRENT ASSETS		2,376,931	1,601,117
NON-CURRENT ASSETS			
Property, plant and equipment	7	511,236	20,458
Intangible assets		1,012	1,012
TOTAL NON-CURRENT ASSETS		512,248	21,470
TOTAL ASSETS		2,889,179	1,622,587
CURRENT LIABILITIES			
Trade and other payables	8	314,823	341,604
Borrowings	10	219,239	-
Provisions	9	44,785	26,127
TOTAL CURRENT LIABILITIES		578,847	367,731
NON-CURRENT LIABILITIES			
Borrowings	10	656,156	441,891
Provisions	9	44,301	21,547
TOTAL NON-CURRENT LIABILITIES		700,457	463,438
TOTAL LIABILITIES		1,279,304	831,169
NET ASSETS		1,609,875	791,418
EQUITY			
Issued capital	11	5,935,036	4,048,816
Reserves	13	418,428	569,716
Accumulated losses	14	(4,743,589)	(3,827,114)
TOTAL EQUITY		1,609,875	791,418

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

CONSOLIDATED ENTITY 30 JUNE 2017

	Notes	Issued Capital Ordinary $	Reserves $	Retained Earnings (Accumulated Losses) $	Total Equity $
Balance at 1 July 2016		4,048,816	569,716	(3,827,114)	791,418
Loss for the year		-	-	(916,475)	(916,475)
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		-	-	(916,475)	(916,475)
Transactions with Equity Holders in their capacity as Equity Holders					
Equity issued net of share issue costs	11	1,886,155	-	-	1,886,155
Conversion of Options	12	65	-	-	65
Share based payments (credit)	13	-	(151,288)	-	(151,288)
		1,886,220	(151,288)	-	1,734,932
Balance as at 30 June 2017		**5,935,036**	**418,428**	**(4,743,589)**	**1,609,875**

CONSOLIDATED ENTITY 30 JUNE 2016

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

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Cash flows from operating activities			
Receipts from customers		844,498	876,779
Payments to suppliers and employees		(2,862,214)	(2,700,685)
Interest paid		(65,048)	(32,507)
Research and development tax incentive		571,613	313,030
Grant income		24,890	-
Interest received		15,409	34,129
Net cash (outflow) from operating activities	4	(1,470,852)	(1,509,254)
Cash flows from investing activities			
Payments for property, plant and equipment		(146,985)	(14,116)
Net cash (outflow) from investing activities		(146,985)	(14,116)
Cash flows from financing activities			
Proceeds from the issue of shares		2,014,500	-
Payment for share issue costs		(128,345)	-
Proceeds from the conversion of options		65	4,636
Proceeds from the entitlement issue (net of costs)		-	96,016
Repayment of borrowings		(75,499)	-
Net cash inflow from financing activities		1,810,721	100,652
Cash and cash equivalents at the beginning of the financial year		582,256	2,004,974
Net increase (decrease) in cash and cash equivalents		192,884	(1,422,718)
Cash and cash equivalents at the end of the financial year	4	775,140	582,256

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report Proteomics International Laboratories Ltd (the **Company or PILL**) for the financial year ended 30 June 2017 was authorised for issue in accordance with a resolution of directors on 30 August 2017.

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

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

(a) Basis of preparation

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

(i) Statement of compliance

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

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

(ii) Basis of measurement

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

(iii) Going Concern

For the year ended 30 June 2017 the entity recorded a loss of $916,475 (2016: loss $1,328,456) and had net cash outflows from operating activities of $1,470,852 (2016: net cash outflows $1,509,254).

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the entity to continue as a going concern is dependent on securing additional funding through provision of Analytical Services, licensing of PromarkerD, receipt of Government grants and the R&D Tax Incentive, and the exercise of listed Options to continue to fund its operational and marketing activities.

Management believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report. Subsequent to year end the entity expects to receive additional funds via Analytical Services contracts, Government grants and the R&D Tax Incentive.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- There is on-going and increasing revenue from current Analytical Services, for example, new contract in biosimilars (protein generic drugs) market on 14 July 2017 described in Events Occurring After the Reporting Period.
- Revenue from Analytical Services for new biosimilars service launched in June 2017 in 'batch release' testing and long-term and accelerated stability testing.
- Revenue from Analytical Services for new pharmacokinetic (PK), pharmacodynamic (PD), and companion diagnostic (CDx) testing services for clinical trials launched in May 2017.
- Revenue from Analytical Services for Contract biomarker discovery using the Company's proprietary Promarker™ platform technology.
- Revenue from licensing of PromarkerD.
- On the back of the Company's research and development focus it anticipates an R&D Tax Incentive cash rebate of $790,751, to be received in the September quarter 2017.
- There are 17,231,856 listed options (ASX: PIQO) exercisable at $0.20 each on or before 31 March 2018 which if fully exercised will bring in $3,446,371.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(b) Segment Information

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

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

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

The Board monitors the operations of the Company as one single segment. The actual to budget items and a detailed profit or loss are reported to the board to assess the performance of the Group.

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

(c) Estimates and judgements

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

(i) Fair value

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

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

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

(ii) Deferred taxes

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

(iii) Impairment of assets

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

(d) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany Transactions

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

(e) Revenue recognition

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

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

Interest income is recognised using the effective interest method.

(f) Government grants and tax incentives

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

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

(g) Research and Development:

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

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

(h) Borrowings

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

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

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

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

(i) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, and are recognised in respect of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

employees' services up to the end of the reporting period, are measured at the amounts expected to be paid when the liabilities are settled.

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

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

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

(i) Share based payments

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

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

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

(k) Foreign currency translation and transactions

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

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

(l) Income tax

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

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

(i) When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
(ii) When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

(m) Current and non-current classification

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

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

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

(n) Cash and cash equivalents

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

(o) Trade and other receivables

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

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

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

(p) Property, plant and equipment

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

(p) Leases

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

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

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.
Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

The Group entered into several finance leases during the year ended 30 June 2016 and year ended 30 June 2017. Management has decided to adopt AASB 16 and capitalise all leased assets and record all lease liabilities in the year ended 30 June 2017.

(q) Trade and other payables

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

(r) Provisions

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

(s) Fair value measurement

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

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

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

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

(t) Issued Capital

Ordinary shares are classified as equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

(u) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

(w) Impairment

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

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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the period ended 30 June 2017.

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application:

AASB 9 Financial Instruments - These amendments must be applied for financial years commencing on or after 1 January 2018. Therefore application date for the company will be 30 June 2019. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. The introduction of AASB 9 is not expected to have a significant impact on the operations of the Group when implemented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

AASB 15 Revenue from Contracts with Customers – These amendments must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the company will be 30 June 2019. Under AASB 15, an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of

goods or services is transferred, rather than on transfer of risk and rewards as is currently the case under IAS 18 Revenue. The impact of this adoption is currently in the process of being assessed by the Group, however the impact has yet to be quantified. The Group will adopt this standard from 1 July 2018.

AASB 16 Leases – This standard eliminates the operating and finance lease classifications for leases currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use in its statement of financial position for most leases. The impact of this adoption is currently in the process of being assessed by the Group, however the impact has yet to be quantified. The Group will adopt this standard from 1 July 2019.

2. LOSS FOR THE YEAR

	Notes	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Loss for the full year included the following items:			
(a) R&D Tax incentive (i)		790,751	572,269
(b) Other expenses (income)			
Unrealised foreign exchange losses / (gains)		(1,197)	580
Realised losses		9,176	5,097
(c) Employee and labour expenses			
Salary and wages		1,207,164	1,202,260
Other personnel costs		172,969	168,059
Superannuation		114,482	104,769
Increase in leave liabilities		41,412	19,058
		1,536,027	1,494,146
Shares based payment expenses (credit)		(151,288)	213,937
		1,384,739	1,708,083

(i) R&D Tax incentive

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

3. INCOME TAX EXPENSE / (BENEFIT)

(a) Income tax expense / (benefit)	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Current tax / (over provision in prior year)	-	-
Deferred tax	-	-
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

3. INCOME TAX EXPENSE / (BENEFIT) (continued)	Consolidated Entity 2017	Consolidated Entity 2016
(b) Numerical reconciliation of income tax to prima facie tax	**$**	**$**
(Loss) from continuing operations	(916,475)	(1,328,456)
Tax at the Australian tax rate 27.5% (2016 28.5%)	(252,031)	(378,610)
Tax effect of the amounts that are not deductible / (taxable) in calculating taxable income		
- Share based payments (credit)	(41,604)	60,972
- Research and development tax incentive	(217,457)	(163,097)
- Withholding tax paid in overseas locations	7,474	6,514
- Reduction in loss for tax incentive	503,618	474,221
	-	-

(c) Tax losses

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

Australian losses	1,330,901	1,001,061
Potential tax benefit at 27.5% (2016 28.5%)	365,998	285,302

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

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

(d) Unrecognised temporary differences

Provisions	2,446	12,197
Accruals	61,575	19,056
Capital raising through equity	-	-
Tax losses	1,330,901	1,001,061
	1,394,922	1,032,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

4. RECONCILIATION OF CASH

	Notes	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Cash at bank		225,140	130,401
Deposits at call		550,000	451,855
Total cash and cash equivalents		775,140	582,256
(a) Reconciliation of loss after income tax to net cash flows from operating activities			
Loss for the year		(916,475)	(1,328,456)
Depreciation		165,210	2,717
Share and options based payments expense (credit)	13	(151,288)	213,937
(Increase) / decrease in trade and other debtors		(175,868)	53,785
(Increase) / decrease in other assets		(407,062)	(555,393)
Increase / (decrease) in trade and other creditors		(26,781)	82,609
Increase / (decrease) in provisions		41,412	21,547
Net cash outflow from operating activities		(1,470,852)	(1,509,254)

(b) Non-cash financing and investing activities

There were no non-cash financing and investment activities during the year ended 30 June 2017 (none during the year ended 30 June 2016).

5. TRADE AND OTHER RECEIVABLES

Trade receivables	214,870	141,990
Other receivables	102,988	-
	317,858	141,990

(a) Classification of trade and other receivables

Trade debtors are amounts due from customers for services performed in the ordinary course of business. The trade receivables are generally due for settlement within 60 days and therefore are classified as current. The group does not currently have any provision for doubtful debts in respect to their receivables as at 30 June 2017.

(b) Fair value of trade and other receivables

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

6. OTHER ASSETS

Research and development tax incentive	790,751	571,613
Security Deposits (i)	457,671	296,154
Prepayments **(ii)**	35,511	9,104
	1,283,933	876,871

(i) equipment lease payments
(ii) insurance and travel

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
7. PROPERTY, PLANT AND EQUIPMENT		
Cost (i)	717,955	61,967
Accumulated depreciation	(206,719)	(41,509)
	511,236	20,458
Reconciliation:		
Opening net book value	20,458	9,059
Additions (i)	655,988	14,116
Disposals	-	-
Depreciation charge	(165,210)	(2,717)
Closing net book value	511,236	20,458

(i) includes capitalised leased assets during 2017

8. TRADE AND OTHER PAYABLES		
Trade creditors	135,885	125,375
Other creditors	178,938	216,229
	314,823	341,604

Fair value of trade and other payables

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

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

9. PROVISIONS		
Current:		
Employee benefits - annual leave	44,785	26,127
Non-current:		
Employee benefits - long service leave	44,301	21,547
Total provisions	89,086	47,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

10. BORROWINGS

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Current:		
Finance Leases (b)	219,239	-
Non-Current		
Loans – directors (a)	366,392	441,891
Finance Leases (b)	289,764	-
	656,156	441,891
(a) Directors Loans:		
Movements in directors loans:		
Opening balance	441,891	441,891
- Amounts borrowed	-	-
- Amounts repaid	(75,499)	-
Closing balance	366,392	441,891

(i) Terms of the Borrowings

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

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

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

(ii) Security

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

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
(b) Finance Leases:		
Commitments in relation to finance leases are payable as follows:		
Within one year	254,676	-
Later than one year but no later than five years	418,332	-
Minimum lease payments	673,008	-
Future finance charges	(164,005)	-
Recognised as a liability	509,003	-
Lease Liability - current	219,239	
Lease Liability – non-current	289,764	
Recognised as a liability	509,003	

(i) Terms of the Finance Leases

The company leases laboratory equipment under finance lease agreements expiring within three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

11. ISSUED CAPITAL

Share Capital	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary Shares	58,998,710	50,604,635	5,935,036	4,048,816
Total consolidated issued capital				

(a) Movement in share capital

Date	Details	Number of shares 2017	$
1/07/2016	Opening balance	50,604,635	4,048,816
4/08/2016	Exercise of options	325	65
13/12/2016	Issue of shares (i)	6,000,000	1,440,000
28/12/2016	Issue of shares (ii)	2,393,750	574,500
	Less: Transaction costs		(128,345)
	Closing balance	58,998,710	5,935,036

(i) issued - pursuant to placement offered to sophisticated investors.
(ii) Issued - pursuant to share purchase plan to existing shareholders recorded on the Company register on 1 December 2016.

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

(b) Ordinary shares

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

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

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

12. OPTIONS ON ISSUE

Options	2017 Options	2016 Options
Options excisable at $0.20 each	17,231,856	15,732,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

12. OPTIONS ON ISSUE (continued)

(a) Movement in options

	2017		2016	
	Average exercise price	Number of Options	Average exercise price	Number of Options
As at 1 July	$0.20	15,732,181	$0.20	3,110,000
Issued during the period (i)	$0.20	1,500,000	$0.20	12,645,363
Exercised during the period	$0.20	(325)	$0.20	(23,182)
Other	-	-	-	-
As at 30 June	$0.20	17,231,856	$0.20	15,732,181

(i) Issued free on the basis of 1 option for every 4 shares issued pursuant to placement offered to sophisticated investors.

No options expired during the year ended 30 June 2017.

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

Grant Date	Expiry date	Exercise Price	No. Options
08/04/2015	31/03/2018	$0.20	3,110,000
29/10/2015	31/03/2018	$0.20	12,621,856
13/12/2016	31/03/2018	$0.20	1,500,000

13. RESERVES

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Share Based payments reserve (a)	208,133	359,421
Option reserve (b)	210,295	210,295
	418,428	569,716

(a) Share based payments reserve	2017 Rights	2016 Rights	2017 $	2016 $
(i) Performance rights	95	175	208,133	359,421

Movements in performance rights

Date	Details	Number of rights	$
1/07/2016	Opening balance	175	359,421
30/06/2017	(Credit) recognised in 2017 year*	(80)	(311,788)
30/06/2017	Closing balance	95	48,633

*Refer to Note 20 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

13. RESERVES (continued)

Date	Details	Number of rights
1/07/2015	Opening balance	175
30/06/2016	Expense recognised in 2016 year	
30/06/2016	Closing balance	175

	2017 Options	2017 $
(ii) Share based payments to consultants	1,500,000	159,500

Movements in share based payments to consultants

Date	Details	$
1/07/2016	Opening balance	-
31/05/2017	Issue of Options to consultants*	159,500
30/06/2017	Closing balance	159,500

* Refer to Note 20 for further information

(b) Option reserve

	2017 Options	2016 $
Options	17,231,856	210,295
Total consolidated issued options		

(i) Movements in options reserve

Date	Details	Number of options	$
1/07/2016	Opening balance	15,732,181	210,295
4/08/2016	Exercise of options	(325)	-
13/12/2016	Issue of options *	1,500,000	-
	Closing balance	17,231,856	210,295

* Issued free on the basis of 1 Option for every 4 shares issued pursuant to placement offered to sophisticated investors.

During the year ended 30 June 2017, 325 options were exercised and converted into shares.
No options expired during the year ended 30 June 2017.

Date	Details	Number of options	$
1/07/2015	Opening balance	3,110,000	114,279
29/10/2015	Issue of options	12,622,181	126,454
	Options issue costs		(30,438)
	Closing balance	15,732,181	210,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

14. ACCUMULATED LOSSES

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Opening balance	(3,827,114)	(2,498,658)
Loss for the year	(916,475)	(1,328,456)
Closing balance	(4,743,589)	(3,827,114)

15. FINANCIAL RISK MANAGEMENT

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

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

The Group and the Company hold the following financial instruments:

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Financial assets		
Cash and cash equivalents	775,140	582,256
Trade and other receivables (a)	317,858	141,990
	1,092,998	724,246
Financial liabilities		
Trade and other payables (b)	(231,082)	(340,553)
Borrowings	(875,395)	(441,891)
	(1,106,477)	(782,444)

(a) excludes GST receivables and prepayments

(b) excludes GST payable and employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

15. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Cash flow and interest rate risk

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

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

	Note	Weighted Average Interest rate	Total $
30 June 2017 Consolidated			
Financial assets			
Cash and cash equivalents		1.99%	775,140
30 June 2016 Consolidated			
Cash and cash equivalents		1.70%	582,256

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

Sensitivity

At 30 June 2017, if interest rates had increased by 0.25% or decreased by 0.25% from the year end rates with all other variables held constant, post-tax loss for the year would have been $1,892 lower / ($1,892) higher (2016 changes of 0.25% / 0.25%: $3,321 lower/ ($3,321) higher), mainly as a result of higher / lower interest income from cash and cash equivalents.

(ii) Foreign currency risk

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

Exposure

	30 June 2017		30 June 2016	
	USD	JPY	USD	JPY
Trade receivables	69,092	5,071	47,352	6,800

Sensitivity

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

	Impact on post tax profits		Impact on equity	
	2017 $	2016 $	2017 $	2016 $
USD/AUD exchange rate - increase 5%	(4,365)	(2,954)	4,365	2,954
USD/AUD exchange rate – decrease 15%	1,067	(8,105)	(1,067)	8,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

15. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

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

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Financial assets		
Cash and cash equivalents	775,140	582,256

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

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

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Over 60 days	90,525	20,330

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

(c) Liquidity risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

15. FINANCIAL RISK MANAGEMENT (continued)

Maturities of financial liabilities

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

(i) Assessment of contractual cash flows

Contractual maturities of financial liabilities As at 30 June 2017	Less than 6 Months $	6 - 12 Months $	Between 1 and 2 years $	Between 2 and 5 years $	Total Contractual Cash Flows $	Carrying Amount $
Non-derivatives						
Trade payables	135,886	-	-	-	135,885	135,885
Borrowings	140,162	140,162	543,984	90,223	914,530	875,395
Total non-derivative	276,047	140,162	543,984	90,223	1,050,415	1,011,280
As at 30 June 2016						
Non-derivatives						
Trade payables	125,375	-	-	-	125,375	125,375
Borrowings	16,191	16,316	466,383	-	498,890	441,891
Total non-derivative	141,566	16,316	466,383	-	624,265	567,266

(ii) Financing arrangements

The Group has a $50,000 overdraft facility with its financial institution in place as at 30 June 2017.

(d) Fair Value Estimation

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

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

(e) Capital management

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

16. CONSOLIDATED ENTITIES

Name of entity	Class of share	Country of Incorporation	Equity holding 2017 %	Equity holding 2016 %	Cost of Company 2017 $	Cost of Company 2016 $
Accounting Parent						
Proteomics International Pty Ltd		Australia	100	100	5,250,000	5,250,000
Legal Parent						
Proteomics International Laboratories Ltd	Ordinary	Australia	-		-	

17. REMUNERATION OF AUDITORS

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
(a) Audit services		
- BDO Audit (WA) Pty Ltd	35,408	34,500
(b) Non-audit services		
- BDO Corporate Finance	-	-
- BDO Taxation	-	-

No non-audit services have been provided by BDO during the year (2016: Nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

18. COMMITMENTS

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Laboratory access fees		
Within one year	86,700	136,719
Later than one year but no later than five years	113,400	119,182
Later than five years	-	-
	200,100	255,901

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

19. RELATED PARTIES

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
(a) Key management personnel (KMP) compensation		
Short-term employee benefits	269,047	355,000
Post-employment benefits	43,573	47,493
Share based payments (credit)	(222,597)	213,937
	90,023	616,430

The directors of the group comprise the key management personnel.
Compensation is paid to the directors individually.

(b) Performance rights disclosure to KMP's

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

(c) Transactions with KMP's

The following loans where provided by Key Management Personnel during the year ended 30 June 2017:
(for further details refer to Note 10)

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Beginning of the year	441,891	441,891
Loans advanced	-	-
Loans repaid (ii)	(75,499)	-
End of year balance	366,392	441,891
Interest charged (i)	16,989	32,507
Interest paid	(28,354)	(19,619)

(i) Interest has been accrued and is in trade and other payables.
(ii) Loans were repaid to Xylo Pty Ltd, the LUK Trust and John Dunlop.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

19. RELATED PARTIES (continued)

No additional loans were provided by Key Management Personnel during the year ended 30 June 2017.

No transactions with Key Management Personnel for convertible notes occurred during the year ended 30 June 2017.

20. SHARE BASED PAYMENTS

(a) Performance rights

Terms of performance rights

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

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

The directors periodically assess the probability of achieving the performance targets within the timeframe remaining.

The directors therefore adjust the probability of the vesting of the B and C performance rights as follows:

Particulars	Valuation Inputs		
Vesting period	Between 4.5 and 5.5 years		
Vesting conditions	Hurdles above		
Probability 2017	A rights – 0%	B rights – 5%	C rights – 5%
Probability 2016	A rights – 50%	B rights – 75%	C rights – 5%

A summary of the revised rights granted by the Company to the directors is set out below:

Grant date	Expiry date (a)	Fair Value $	Balance at start of the year Number	Granted during the year Number	Cancelled Number (c)	Converted during the year Number	Balance at end of the year Number	Value at grant date (b)
27/10/2014	13/4/2019	0.20	50	-	50	-	-	571,429
27/10/2014	13/4/2019	0.20	25	-	6	-	19	285,714
27/10/2014	13/4/2020	0.20	100	-	24	-	76	1,142,857
Total			**175**	**-**	**80**	**-**	**95**	**2,000,000**

(a) Based on the maximum period to expiry of hurdle 2
(b) Based on the maximum value available if all rights are achieved taking into account the cap on the number of shares issued
(c) Fifty "A" rights expired 16 April 2017. Six "B" and 24 "C" rights were held by B Parker and have now lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

20. SHARE BASED PAYMENTS (continued)

Rights Directors of PILL	Balance at the start of the year	Granted as compensation	Cancelled	Converted during the year	Balance at the end of the year	Unvested	Vested and convertible
Directors							
J Dunlop	28	-	8	-	20	20	-
B Parker	42	-	42	-	-	-	-
R Lipscombe	105	-	30	-	75	75	-

As a result of the change in probability and cancellations the directors consider it necessary to write-back the share based payment expense in the year ended 30 June 2017. The amount of the adjustment is $310,788 and is shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a Share Based Payment Credit.

b) Share based payments to consultants

The company agreed to issue 1,500,000 options to consultants on 31 May 2017 as listed below. The value of the service was unable to be reliably measured and as such were measured at their fair value.

Item	Tranche A Options	Tranche B Options	Tranche C Options
Underlying Spot Price	$0.165	$0.250	$0.350
Exercise Price	$0.250	$0.350	$0.600
Issue Date	31 May 2017	23 Oct 2017	18 Feb 2018
Life of the Options	2.00	2.00	2.00
Volatility	100%	100%	100%
Risk Free rate	1.65%	1.65%	1.65%
Valuation per Option	$0.071	$0.112	$0.139

For the purposes of AASB2, the company is required to value the Options collectively at 31 May 2017, as this was the date that the agreement was signed. The company therefore discounted the value of the Tranche B and Tranche C Options at the risk free rate to 31 May 2017, as shown below:

Item	Tranche A Options	Tranche B Options	Tranche C Options
Valuation per Option	$0.071	$0.112	$0.139
Discount rate	nil	1.65%	1.65%
Discount period (years)	nil	0.3973	0.7205
Present Value per Option	$0.071	$0.111	$0.137
Number of Options	500,000	500,000	500,000
Valuation per Tranche	$35,500	$55,500	$68,500

The adjustment required to reflect the above is $159,500 and is shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a Share Based Payment Expense.
The net amount, as a result of the adjustments set out in a) and b) above, is $151,288 and is shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a Share Based Payment Credit.

21. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

22. CONTINGENT LIABILITIES
The Group is not aware of any material liabilities for the year ended 30 June 2017..

23. SEGMENT REPORTING

The Board monitors the operations of the Company as one single segment. The actual to budget items and a detailed profit or loss are reported to the board to assess the performance of the Group.

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

24. EARNINGS PER SHARE

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
(loss) attributable to ordinary shareholders	(916,475)	(1,328,256)
Weighted average number of ordinary shares*	55,070,725	50,592,486
Balance at the beginning of the year	50,592,486	50,581,453
Effect of options exercised 27 November 2015	-	1,544
Effect of options exercised 7 December 2015	-	4,233
Effect of options exercised 16 February 2016	-	5,086
Effect of options exercised 31 March 2016	-	170
Effect of options exercised 4 August 2016	294	-
Effect of shares issued 13 December 2016	3,271,233	-
Effect of shares issued 28 December 2016	1,206,712	-
	55,070,725	50,592,486

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

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 14 July 2017, Proteomics International announced that it had won a major analytical services contract in a new biosimilars area. Proteomics International has entered into a long-term partnership with Dutch/Australian company BiosanaPharma to test a new treatment for allergic asthma. The Company will conduct characterisation analysis of BiosanaPharma's product over a period of 12 months, including what is known as long-term and accelerated stability testing. The agreement marks Proteomics Internationals largest biosimilars contract to date, and is worth in excess of A$200,000.

On 17 July 2017, the Company granted 400,000 options exercisable at $0.25 each on or before 17 July 2019 to its investor relations adviser, Canary Capital, as part consideration for services rendered. A further 100,000 options were granted to the adviser on the same terms on 17 August 2017.

On 16 August 2017, an expansion of the US PromarkerD patent was granted to cover all kidney disease. Previously the US patent was restricted to diabetic kidney disease only. This represents a potential doubling in size of the addressable market for the test, with kidney disease the ninth leading cause of death in the United States, accounting for 48,000 deaths a year, and related healthcare spending exceeding US$50 billion annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

26. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Proteomics International Laboratories Ltd, as at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2017 $	2016 $
Current assets	4,617,576	2,890,381
Non-current assets	5,250,000	5,250,000
Total Assets	9,867,576	8,140,381
Current liabilities	67,337	104,154
Non-current liabilities	-	-
Total Liabilities	67,337	104,154
Issued Capital	10,812,346	8,926,126
Accumulated Losses	(1,430,535)	(1,459,615)
Reserves	418,428	569,716
Total Equity	9,800,239	8,036,227
Profit (Loss) for the year	29,080	(674,706)
Other comprehensive income / (loss) for the year	-	-
Total other comprehensive income / (Loss) for the year	29,080	(674,706)

Contingent liabilities of the parent entity

The Company is not aware of any material contingent liabilities for the year ended 30 June 2017.

Commitments of the parent entity

The Company does not have any on-going commitments.

27. INTERESTS ON OTHER ENTITIES

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

28. DEED OF CROSS GUARANTEE

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

29. ASSETS PLEDGED AS SECURITY

Other than the cash Security Deposits for the finance leases – refer Note 6, the Group has no assets that have been pledged as security.

Directors' Declaration

The Directors of the Company declare that:

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

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

   (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated entity;

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

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

3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001*.

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

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

Terry Sweet
Chairman

Perth, Western Australia

Dated: 30 August 2017

Independent Auditor's Report

To the members of Proteomics International Laboratories Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Proteomics International Laboratories Ltd (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1a in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of Share Based Payments

Key audit matter	*How the matter was addressed in our audit*
Proteomics International Laboratories Limited issued share-based payments in previous financial years that contain performance conditions and continue to vest and be expensed in the current financial year. The Group performed calculations to record the related share based payment expense in the statement of comprehensive income. The group uses assumptions in relation to current and future market and economic conditions. Due to the complex and judgemental estimates used in determining the value of the share based payments, we consider the Group's calculation of the share based payment expense to be a key audit matter.	Our audit procedures in respect of this area included but were not limited to the following: • Assessing the assumptions used to measure the share-based payments relating to the performance rights; and • Considering the vesting conditions of the performance rights and the reversal of share-base payment expense where performance rights have expired or lapsed. Assessing the adequacy of the disclosure in the financial statements (refer note 13).

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 31 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Proteomics International Laboratories Ltd, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Director

Perth, 30 August 2017

Shareholder Information

Details of securities as at 24 August 2017:

Top holders

The 20 largest registered holders of each class of quoted security as at 24 August 2017 were:

*Fully paid **ordinary shares***

	Name	No. of Shares	%
1.	LIPSCOMBE RICHARD JOHN	9,192,191	15.58
2.	LIPSCOMBE RICHARD JOHN <LUK A/C>	7,061,590	11.97
3.	XYLO PL <PARKER FAM A/C>	6,277,594	10.64
4.	DUNLOP JOHN SUTHERLAND R	3,855,188	6.53
5.	HSBC CUSTODY NOM AUST LTD	1,823,886	3.09
6.	RANDOLPH RES PL	1,574,000	2.67
7.	SPARROW HLDGS PL <SWEET S/F A/C>	1,085,500	1.84
8.	MARTON PATRICIA	906,284	1.54
9.	GOULD DARLENE VALERIE	858,452	1.46
10.	BILL BROOKS PL BILL BROOKS S/F A/	730,000	1.24
11.	BITI PL BITI A/C	620,000	1.05
12.	EPSTEIN M Y L + R C M EPSTEIN S/F A/C	540,621	0.92
13.	SCINTILLA STRATEGIC INV L	531,080	0.90
14.	BOHRINGER MARIE JOYCE	477,893	0.81
15.	OCEAN MIST PL WATERFORD S/F A/C	429,400	0.73
16.	DUDFIELD L G + Y S D LG DUDFIELD PENSIO	429,400	0.73
17.	MOSES J O + JACOBS M A <DRAGON S/F A/C>	425,000	0.72
18.	WONG SUE LYNN	396,313	0.67
19.	BAIRDOS PL	389,700	0.66
20.	GEBHARDT PETER L + C J PETARD S/F A/C	360,166	0.61
		37,964,258	64.366

Distribution schedule

The distribution schedule of ordinary shares as at 24 August 2017:

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	70	14,740	0.02
1,001 - 5,000	102	326,844	0.55
5,001 - 10,000	111	1,000,580	1.70
10,001 - 100,000	286	10,169,421	17.24
100,001 - Over	75	47,487,125	80.49
Total	644	58,998,710	100.00

Substantial shareholders

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

Substantial shareholder	Number of Shares
Richard John Lipscombe and associated entities	16,253,781
John Sutherland R Dunlop and associated entities	5,429,188
Xylo Pty Ltd <The Parker Family A/C>	6,277,594

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

	Name	No. of Shares	%
1.	SPARROW HLDGS PL SWEET S/F A/C	2,758,875	16.01
2.	LIPSCOMBE RICHARD JOHN <LUK A/C>	1,752,898	10.17
3.	LIPSCOMBE RICHARD JOHN	1,632,423	9.47
4.	B2B HLDGS PL	1,025,000	5.95
5.	HSBC CUSTODY NOM AUST LTD	931,617	5.41
6.	MARSCHKE SHALEAH	500,000	2.90
7.	SMYTH JOHN CAMPBELL SMYTH S/F A/C	500,000	2.90
8.	MAILEY CRAIG NATHAN	500,000	2.90
9.	RANDOLPH RES PL	375,000	2.18
10.	FISHER FAM SUPER PL FISHER S/F A/C	343,770	1.99
11.	HAVENRANCH PL RACKLYEFT RET FUND	340,000	1.97
12.	CAMBERWELL GYNAECOLOGY CL SKINNER S/F A/C	337,300	1.96
13.	K S CAP PL	268,750	1.56
14.	XYLO PL PARKER FAM A/C	250,000	1.45
15.	GREGORY J WOOD & ASSOC PL G J WOOD FAM A/C	213,125	1.24
16.	GOULD DARLENE VALERIE	199,479	1.16
17.	PETARD PL	195,858	1.14
18.	GEBHARDT PETER L + C J PETARD S/F A/C	191,181	1.11
19.	VIADEMONTE VALERIA M	189,100	1.10
20.	BOORMAN THOMAS JAMES BOORMAN INV A/C	150,000	0.87
		12,654,376	73.44

Distribution schedule

The distribution schedule of options as at 24 August 2017:

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

Range			Holders	Units	%
1	-	1,000	24	13,858	0.08
1,001	-	5,000	136	385,330	2.24
5,001	-	10,000	37	257,927	1.50
10,001	-	100,000	80	2,957,254	17.16
100,001	-	Over	28	13,617,487	79.03
Total			305	17,231,856	100.00

Restricted securities

There are no restricted securities.

Unlisted securities

Unlisted options

Class	Expiry Date	Exercise Price	Number of Options	Number of holders
Options	17 July 2019	0.025	500,000	1

Performance rights

Class	Number of rights	Number of holders
Performance Rights	95	2

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,564 as at 24 August 2017):

Holders	Units
110	86,046

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

Performance rights do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

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Obituary

Dr Bill Parker

26th Jan 1944 – 13th Feb 2017

Co-founder, Proteomics International
Director, Proteomics International, 2001 - 2016

On 13 February this year, Proteomics International and the Western Australia biotechnology industry lost one of its stalwarts, Dr William Frederick Parker. Bill was active in the sector for more than 40 years, and was very much a pioneer in the development of biotech in the state.

In 1982, he established Western Biotechnology with career-long colleagues Terry Sweet and Dr John Dunlop (both now current directors of Proteomics International). The company, which was then the world's only producer of natural beta-carotene from algal lakes, was acquired by Hoffmann La Roche, and the plant is still operating today.

In 2001, Bill co-founded Proteomics International with Dr Richard Lipscombe (now ASX listed as PIQ). Bill served as a director throughout the company's development, only retiring from the board in 2016. Never one to sit still, he remained an active contributor right up until the day he died peacefully in his sleep, aged 73.

Bill was committee member of the Western Australia Branch of AusBiotech for several years, and long-time mentor to students at the University of Western Australia. His innovation also extended to renewable energy as the editor of the Australian Solar Council's industry magazine for 19 years. Bill was indeed a gentleman of many talents, from microbiologist to writer, photographer, musician, actor, classic car revhead, rower, volunteer firefighter, and Morris dancer. After nearly 20 years working together, Richard Lipscombe eloquently summed him up: 'Bill had an uncanny ability to think outside the box, and boundless enthusiasm for life's opportunities'. He will be greatly missed by all those who knew him.

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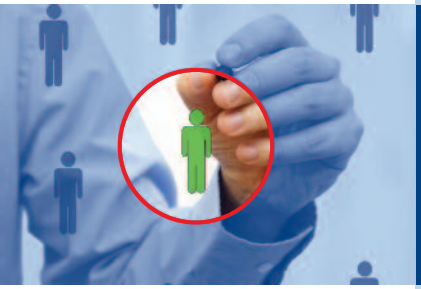
The Company has inaugurated the Proteomics International Industrial Scholarship in memory of Dr Bill Parker (see page 14). The Scholarship will support Western Australian students who wish to study interstate, and aims to capture the spirit of Bill's innovation and enthusiasm for embracing life's opportunities.

Design: Castledine & Castledine



PILL Proteomics International
LABORATORIES LTD