Proteomics International
LABORATORIES LTD

ANNUAL REPORT 2018

2018

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
Mr Paul House - Non-Executive Director

Company Secretary
Ms Karen Logan

Principal Place of Business
QEII Medical Centre, QQ Block
6 Verdun Street
Nedlands WA 6009
T +61 8 9389 1992
F +61 8 6151 1038
E: enquiries@proteomicsinternational.com
W: www.proteomicsinternational.com

Registered Office
Suite 13, The Atrium
123A Colin Street
West Perth WA 6005

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

Share Registry
Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
T: + 61 8 9315 2333
F: + 61 8 9315 2233

Stock Exchange
ASX
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000
ASX Code: PIQ

Accountants
S Pugliese
Suite 13, Level 1
123A Colin Street
West Perth, WA 6005

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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 2018 Annual Report.

This has been an exciting year for Proteomics International centred on PromarkerD, our world-leading predictive test for diabetic kidney disease, and underpinned by strong growth in Analytical Services and Corporate activity:

- The Company made substantial advances in the commercialisation of PromarkerD, which was driven by a peer-reviewed publication of the results from our clinical studies, allowing us essential engagement with Key Opinion Leaders in the diabetes field. This is considered vital in gaining commercial traction for PromarkerD.

- The launch in March of PromarkerD in the Dominican Republic formed an important stepping-stone to the recent licences for the United States of America and Mexico. Diabetic kidney disease is one of the world's fastest growing causes of death, and the expansion into these markets gives the opportunity to help substantial numbers of people in the fight to combat this epidemic. We also expect these deals will provide a springboard to further licences in other regions in the year ahead.

- Investment in developing pioneering diagnostic tests continued with the Company's Promarker™ technology platform, that was used to create PromarkerD, employed to target other chronic diseases such as endometriosis.

- In parallel with advances for PromarkerD, Proteomics International saw strong growth from its Analytical Services, both from biosimilars testing and our new offering of pharmacokinetic testing for clinical trials. I am pleased to note that revenue has increased by 27% in comparison to last year, and on an accrual basis the Company approached cash flow neutral in the fourth quarter of the year.

- The Company welcomed Mr Paul House to the Board. Paul has already proven to be a valuable addition, bringing with him a wealth of expertise in analytical services development and strategies for corporate growth.

Our cash position was strengthened substantially with the maximum amount of $3.4 million raised from exercise of PIQO listed options. The Company now has a strong balance sheet to pursue its commercial objectives.

The Directors believe Proteomics International is now poised for significant growth, and we look forward to meeting you at the Annual General Meeting. In the meantime, please do not hesitate to contact me if you have any questions.

Yours sincerely

Terry Sweet
Chairman

Key Achievements & Milestones 2017-18

Diagnostics and PromarkerD

Commercialisation

- PromarkerD was launched in the Dominican Republic under licence to Omics Global Solutions with its partner Macrotech Farmacéutica.
- Licensing agreement signed with PrismHealthDx for the United States of America, the world's biggest spending country on diabetes-related health care.
- Licensing agreement signed with Patia Biopharma to launch PromarkerD in Mexico, a country with one of the highest rates of diabetes globally.
- Patent for PromarkerD granted in Japan and Europe, complementing existing patents in Australia, China, Russia, Singapore, and USA.
- Partnered with drug developer Dimerix to investigate the use of PromarkerD as a Complementary Diagnostic (CDx) test *(see Window on the Science)*.

Key Opinion Leader engagement

- Cornerstone publication in the leading diabetes journal, Diabetes Care, of the clinical study results describing the predictive power of PromarkerD.

Analytical Services and Corporate

- Analytical Services expanded with completion of the first projects for pharmacokinetic testing for clinical trials *(see Technology Snapshot)* within Proteomics International's laboratories.
- The Company enjoyed record fourth quarter sales of $535,000 from its analytical and consulting services, with strong international demand seeing export related income exceed $0.75 million for the year.
- Listed options fully exercised raising the maximum available amount of $3.4 million, with existing option holders taking 90% of their entitlements, including more than $1 million from Proteomics International's directors.

Why are proteins important?

Genomes are static - the genes we are born with are the genes we die with, but the protein make up in our bodies differs from cell to cell and changes considerably over time.
Cells use the instructions in our genes to make proteins.
Proteins are the operational molecules of life and carry out the functions of living organisms.

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 tells us about the state of life, and health, of any organism.

Proteomics is the study of proteins on an industrial scale.

Window on the Science

Precision medicine and Complementary Diagnostics (CDx)

Medical treatment tailored specifically to you

Our genes, environment and lifestyle can all influence how susceptible we are to a disease, and how we will respond to a particular treatment. But until now, it has been almost impossible to target treatments to a specific individual. Medicine has been largely aimed at the average.

Enter precision medicine. Sometimes called personalised medicine, precision medicine is an emerging approach that takes individual variability into account in the treatment or prevention of disease. It combines knowledge of a person's unique protein and biochemical make up to allow prevention and treatment strategies to be tailored to their individual needs.

Precision medicine often employs diagnostic testing to examine the proteins or genes in a patient's blood. These tests can provide crucial information such as how a patient might respond to a specific treatment, how likely they are to experience side effects and how quickly a disease is progressing. When a diagnostic test is used alongside a drug therapy, it is known as a companion or complementary diagnostic (CDx).

To date, much of the attention on precision medicine has focused on well-supported clinical areas such as cancer and 'rare' single-gene disorders that cause disability in children. But a 2018 report commissioned by Australia's Chief Scientist –*The future of precision medicine in Australia*–says the opportunities to improve health outcomes for complex disorders such as diabetes and cardiovascular disease are equally exciting.

The global personalised medicine market was valued at USD 1,000 billion in 2014 and is expected to reach USD 2,452 billion in 2022.

The Future of Precision Medicine in Australia **report, launched by the Australian Federal Government in January 2018, says precision medicine has the potential to transform Australia's health care system.**

Precision medicine with PromarkerD

PromarkerD, Proteomics International's predictive test for diabetic kidney disease, is an example of precision medicine in practice.

Imagine a patient with diabetes walking into their doctor's office for a routine check-up. Although they don't have any symptoms of diabetic kidney disease, their doctor orders a PromarkerD test as a routine part of their diabetes management program. The test comes back. It shows that the patient is very likely to develop kidney disease within the next four years.

Armed with that information, the doctor can:

- *Implement tighter monitoring and control of blood glucose and insulin levels.*
- *Prescribe targeted treatments and medications. There are currently 22 drugs for the treatment of diabetic kidney disease in clinical trials.*
- *Use the PromarkerD test to measure which treatments are most effective in slowing the progression of the disease specifically for the patient.*
- *Order routine PromarkerD follow up tests, to monitor the progression of the disease.*

Early intervention may stop or delay the onset of diabetic kidney disease.

Diagnostic tests can be essential for the safe and effective use of therapeutics *(companion diagnostic)*, or may help weigh up the risks and benefits of a treatment without restricting drug access *(complementary diagnostic)*.

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

PromarkerD can be used as a complementary diagnostic for drugs to treat diabetic kidney disease.

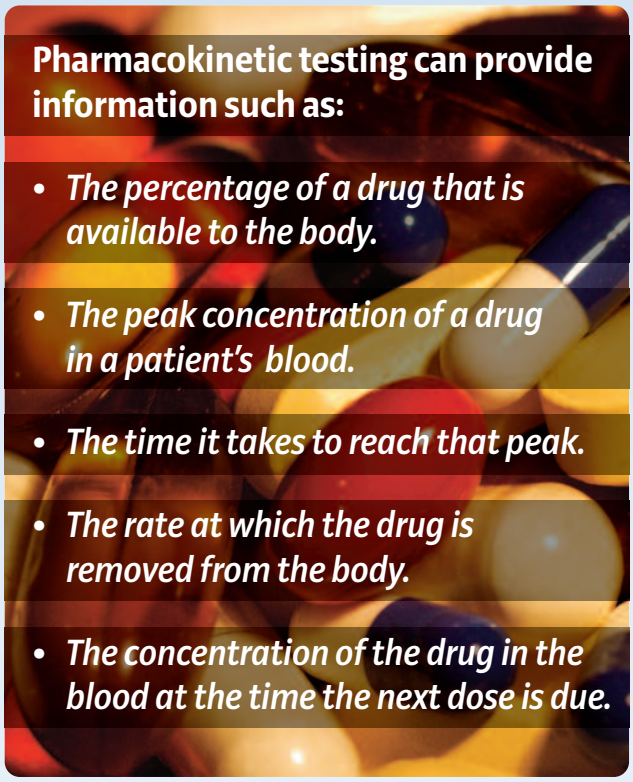
Technology Snapshot

Pharmacokinetic (PK) testing

Pharmacokinetics is essentially the science of what happens to a drug when it enters the body. It studies how the chemical changes from the moment it is administered to the point it is ultimately eliminated from the body. The fate of any drug can change depending on how it is administered, the form it is in and the size of the dose.

Pharmacokinetic testing is a critical step in the development and commercialisation of a new drug. It helps to ensure drugs are safe and effective, and examines how the chemical changes in individual patients.

Australia is a global leader in clinical trials, with more than 1500 clinical trials run in Australia and New Zealand in 2016 alone. The country has an efficient regulatory framework and high-quality trial sites, and the results of clinical trials conducted in Australia are accepted globally.



Proteomics International launched new pharmaco-kinetic (PK) testing services for clinical trials in 2017. These services are now an integral part of the Company's Analytical Services.

Proteomics International can undertake pre-clinical and clinical PK quantitative assays for any investigational drug product.

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 2018.

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)	(Appointed 9 June 2014)
Dr Richard Lipscombe	(Managing Director)	(Appointed 9 June 2014)
Dr John Dunlop	(Non-Executive Director)	(Appointed 9 June 2014)
Mr Roger Moore	(Non-Executive Director)	(Appointed 14 October 2016)
Mr Paul House	(Non-Executive Director)	(Appointed 22 November 2017)

OPERATING RESULT

To be read in conjunction with the attached Consolidated Financial Report (see page 36).

The operating result for the year was:

		CONSOLIDATED	
	% Change	2018	2017
		$	$
Loss before income tax	**57**	**(1,440,108)**	**(916,475)**
Loss for the year	**57**	**(1,440,108)**	**(916,475)**
Comprising			
Revenue and Other income	16	2,150,923	1,860,592
Expenses	29	3,591,031	2,777,067

The Group's financial report for the year ended 30 June 2018 includes:

- Operating revenue from services continued its upward trend reaching $1,176,457, a 27% increase compared to the previous year.
- Combined income from all sources rose 16% to $2.15 million. Revenue from ordinary activities encapsulates income from the Company's analytical services, licensing fees, and grant income including the R&D Tax Incentive.
- Operational expenditure totalled $3.59 million, an increase of 29% in-line with budget, and reflecting an increase in activity in the commercialisation of PromarkerD and the launch of new analytical services.
- The loss from ordinary activities is $1.44million, which represents a year on year increase of 57%.
- At 30 June 2018 the Company had cash reserves of $2.5 million. On the back of the Company's research and development focus it anticipates an R&D Tax Incentive cash rebate of $844,123, to be received in the December quarter.

DIVIDENDS

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

ISSUED CAPITAL

80,098,871 fully paid ordinary shares (ASX: PIQ) and 2,750,000 unlisted options were on issue as at 30 June 2018.

Company Timeline

Proteomics International is formed	2001	
	2004	First exports to India
	2006	Partners with Western Australian Institute for Medical Research (now Perkins)
Joins (WA) Centre for Food and Genomic Medicine – establishes biomarker discovery program	2007	
Partners with Fremantle Diabetes Study - commences R&D on biomarkers for diabetic kidney disease (DKD)	2008	Secures Commercial Ready Plus funding ($250k) – therapeutic pipeline
Receives the world's first ISO 17025 laboratory accreditation for proteomics	2009	
Agency agreement for Malaysia and Singapore	2010	Joins Bioplatforms Australia
Secures Commercialisation Australia funding ($1m) – commercialisation of diagnostic test for diabetic kidney disease	2012	Collaborates with Merck Millipore to validate biomarkers for diabetic kidney disease
April: Proteomics International Laboratories Ltd lists on the ASX **April:** Secures major Analytical Services contract with The a2 Milk Company	2015	**June:** PromarkerD predictive test results announced **October:** Wins Health and Biotechnology Export Award (WA) **October:** PromarkerD patent granted in USA
August: PromarkerD first licensing deal signed **October:** 2016 Wins WA Exporter of the Year Award	2016	**November:** Partners with Linear Clinical Research for Analytical Services in pharmacokinetic (PK) testing
June: PromarkerD clinical validation study results presented **August:** PromarkerD patent expanded to all kidney disease in USA	2017	**November:** PromarkerD clinical study results published **December:** Partners with Dimerix to explore PromarkerD as a Complementary Diagnostic (CDx)
February: Partners with CPR Pharma Services for Analytical Services and CDx **March:** PromarkerD commercial launch in Dominican Republic	2018	**May:** PromarkerD licensed in USA **June:** PromarkerD licensed in Mexico

Review of Operations

Principal activities

Proteomics International is a pioneering medical technology company operating at the forefront of predictive diagnostics and bio-analytical services. The Company specialises in the area of proteomics – the industrial scale study of the structure and function of proteins.

Proteomics International's business model is centred on the commercialisation of the Company's ground-breaking test for diabetic kidney disease, PromarkerD, whilst using its proprietary Promarker™ technology platform to create a pipeline of novel diagnostic tests, and offset the cash burn from R&D and product development through its analytical services.

Proteomics International is a wholly owned subsidiary and trading name of Proteomics International Laboratories Ltd (PILL; ASX: PIQ), and operates from state-of-the-art facilities located on the QEII Medical Campus, Perth, Western Australia.

1. PromarkerD

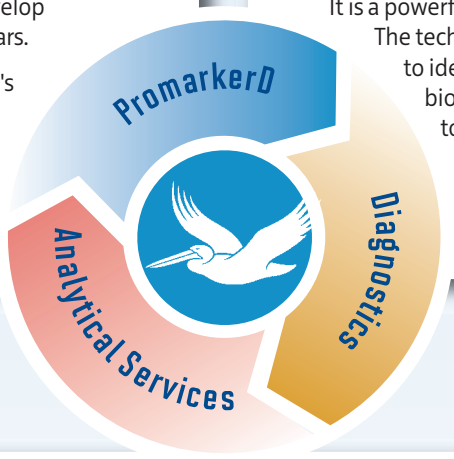
Targeting the global diabetes epidemic, PromarkerD is a predictive diagnostic test for diabetic kidney disease, a progressive disorder found in one in three adults with diabetes. The prevalence of kidney disease is rising rapidly and many patients progress to need dialysis or a kidney transplant. In peer-reviewed clinical studies PromarkerD correctly predicted 86% of otherwise healthy diabetics who went on to develop chronic kidney disease within four years.

PromarkerD has been rated the world's leading diagnostic test for diabetic kidney disease by the global research house Frost & Sullivan in its report titled Biomarkers Enabling Diabetes and Obesity Management[1].

2. Diagnostics

Proteomics International's diagnostics development is made possible by the Company's proprietary biomarker discovery platform called Promarker, which searches for protein 'fingerprints' in a sample. This disruptive technology can identify proteins that distinguish between people who have a disease and people who do not, using only a simple blood test. It is a powerful alternative to genetic testing. The technology is so versatile it can be used to identify fingerprints from any biological source, from wheat seeds to human serum.

The global biomarkers market is expected to exceed USD 78 billion by 2024[2].



3. Analytical Services

Specialist contract research focusing on biosimilars quality control and pharmacokinetic testing for clinical trials. Australia is a global leader in clinical trials due to its efficient regulatory framework and high quality trial sites, and all samples from each trial require specialist analytical testing. Significantly, the fastest growing class of drugs entering clinical trials is biologics and biosimilars.

The global clinical trials market is projected to reach USD 65 billion by 2025[3], whilst the market size of the global biosimilar market was valued at USD 4.5 billion in 2017, and is projected to surpass USD 23 billion by 2023[4].

1. For further information see the PromarkerD web portal: www.PromarkerD.com
2. Grand View Research 2016: Biomarkers Market Size
3. Grand View Research 2017: Clinical Trials Market Size
4. Markets and Markets 2018: Biosimilars Market by Product

1. PromarkerD

DIAGNOSTICS: DIABETIC KIDNEY DISEASE & PROMARKERD

According to the International Diabetes Federation there are now 425 million adults with diabetes. Kidney disease is one of the major complications of the disease and affects approximately one-third of all diabetics. Since 1990, chronic kidney disease (CKD) due to diabetes alone has climbed from 35th to now the 16th leading cause of death and years of life lost due to premature mortality in the USA. Kidney disease not attributed to diabetes is ranked 9th, with the combined US healthcare spending attributed to CKD exceeding US$100 billion annually.

Calls to Action

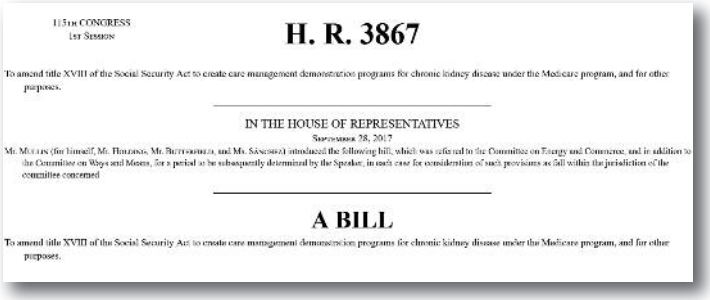
In late 2017, legislation was introduced in the US House of Representatives to support early diagnosis of kidney disease. The goal of HR 3867 is to demonstrate that early detection of CKD, combined with effective and coordinated care, can improve the clinical outcomes for people with the disease and still lower health care spending.

At the same time the Japan Diabetes Association and the Japan Society of Nephrology were combining forces to issue a Declaration to overcome diabetic kidney disease: STOP DKD. The Presidents of the two societies went on to state "Overcoming diabetic kidney disease is an urgent issue to be addressed".

About PromarkerD

PromarkerD is a predictive diagnostic test for diabetic kidney disease. In clinical studies presented in 2017 at the American Diabetes Association Annual Scientific Sessions [ASX: 10 June 2017] and published in the prestigious journal Diabetes Care [ASX: 6 September 2017], PromarkerD correctly predicted 86% of otherwise healthy diabetics who went on to develop chronic kidney disease within four years. PromarkerD has been rated the world's leading diagnostic test for diabetic kidney disease by the global research house Frost & Sullivan in its report titled Biomarkers Enabling Diabetes and Obesity Management [ASX: 27 March 2017].

For further information see the PromarkerD web portal: www.PromarkerD.com



115TH CONGRESS
1ST SESSION

H. R. 3867

To amend title XVIII of the Social Security Act to create care management demonstration programs for chronic kidney disease under the Medicare program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

September 28, 2017

Mr. MOLLER (for himself, Mr. HINOJOSA, Mr. BUTTONWOOD, and Ms. SÁNCHEZ) introduced the following bill, which was referred to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title XVIII of the Social Security Act to create care management demonstration programs for chronic kidney disease under the Medicare program, and for other purposes.

US Senate Bill HR 3867

糖尿病性腎臓病への挑戦
糖尿病性腎臓病克服宣言：STOP-DKD
Strategic action Plan for Diabetic Kidney Disease

糖尿病患者の増加により、糖尿病性腎臓病に起因する透析患者が増加している。糖尿病の重症化抑制なくして透析患者数の減少は実現できない。患者の QOL は低下され、国民医療費にも大きな悪影響を与えており、糖尿病性腎臓病の克服は国、学会、関係者が総力を挙げて取り組むべき喫緊の課題である。

我が国は 21 世紀において糖尿病性腎症による年間新規透析患者数の減少が最優先目標として掲げられており、2016 年には、厚生労働省、日本医師会、日本糖尿病対策推進会議の三者により「糖尿病性腎症重症化予防に係る連携協定」が締結され、「糖尿病性腎症重症化予防プログラム」も策定された。

かかりつけ医、専門医（糖尿病・腎臓病）、歯科医、行政等による有機的連携体制の構築が必要である。日本糖尿病学会、日本腎臓学会、日本医師会の皆様と連携としては、有効な糖尿病性腎臓病対策をなしえないことには展開の余地はない。

日本糖尿病学会では、糖尿病の制圧の実現に向けて、2010 年に 5 年間のアクションプラン「JDREAMS」を提案した。このビジョンを実現すべく、2015 年には「第 3 次対糖尿病 5 か年計画」を策定し、広く連携し、多角的・総合的な糖尿病対策を推進している。一方、日本腎臓学会では、2017 年に「日本腎臓学を 5 か年計画」を策定し、腎臓病の成因・病態解明、有効な治療法開発、かかりつけ医や糖尿病学会を含む他分野との連携強化により腎臓病克服に向けて挑戦を始めている。

糖尿病性腎臓病の予防、重症化抑制には、かかりつけ医と専門医、多職種の有機的な連携体制が必須である。有効な対策を実現するためには、情報を集約し、対策を立案する司令塔が必要となる。両学会理事長によるリーダーシップミーティングがこれまであるとともに、さらに日本糖尿病学会内には「糖尿病性腎症委員会」を、日本腎臓学会内には、「糖尿病対策委員会」を設置し、糖尿病性腎臓病対策を一元化している。

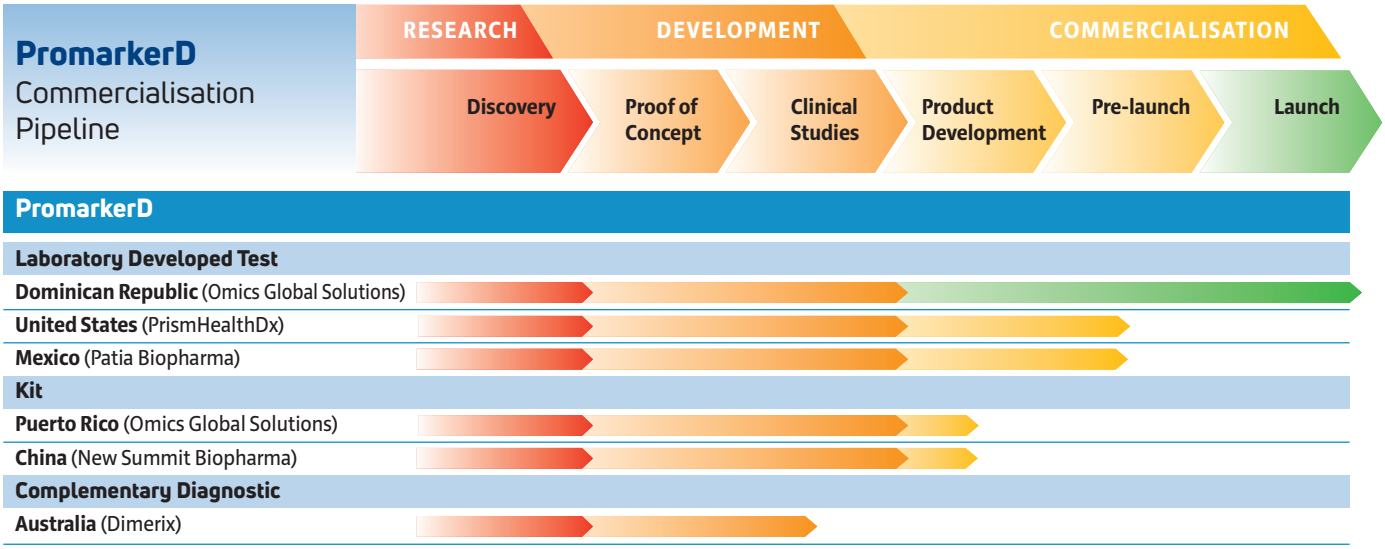
日本糖尿病学会、日本腎臓学会が全面的かつ協働に連携し、日本医師会、多職種、行政とも緊密に協力して、国民や社会とともに、糖尿病性腎臓病克服に向けて挑戦を続けることを宣言するものである。

平成 29 年 10 月 22 日

厚生労働科学研究費補助金
「今後の糖尿病対策と医療提供体制の整備のための研究」研究代表者
門脇 孝
一般社団法人 日本糖尿病学会 理事長 門脇 孝

「慢性腎臓病 CKD の診療体制構築と普及・啓蒙による医療の向上」研究代表者
柏原 直樹
一般社団法人 日本腎臓学会 理事長 柏原直樹

Japan Stop DKD Declaration



The PromarkerD commercialisation pipeline and typical timeline is as follows:
Discovery (3-6 months), Proof of concept (3-6 months), Clinical studies (12 months), Product development (9-18 months), Pre-launch (3-6 months)

PromarkerD commercialisation highlights

It is against the backdrop of global demand for action on diabetic kidney disease that Proteomics International's PromarkerD test was officially launched in the Dominican Republic in March 2018. For this jurisdiction, the test has been licensed to Omics Global Solutions (Puerto Rico, USA), who have partnered with health services company Macrotech Farmacéutica, the exclusive provider of dialysis services, instruments and reagents in the Dominican Republic. The PromarkerD clinical guidelines and reports are now available in Spanish as part of Macrotech's service offering, and initial sales have commenced.

Proteomics International went on to sign two new licensing deals that will see PromarkerD launched in the United States and Mexico:

- In May 2018, Proteomics International signed a deal with precision medicine and diagnostic services company PrismHealthDx (PHDx) to launch PromarkerD in the USA. PHDx will launch the "Laboratory Developed Test" (LDT) version of PromarkerD nationally. This version permits fast adoption of a new test in advanced markets. PromarkerD will be available to the more than 30 million people across America living with diabetes. The licence is exclusive for one year.
- In June 2018, Proteomics International signed a licence agreement with Patia BioPharma to launch PromarkerD in Mexico. Patia BioPharma is a Mexican biotech company focused on promoting personalised preventive medicine across Latin America. Mexico has one of the highest rates of diabetes in the world, with 13 million adults suffering from the condition. The licence is again for the LDT version of PromarkerD and is exclusive for three years. Through Patia's network the test will initially be introduced to private hospitals and private clinics, and then expanded into government hospitals and Carlos Slim Foundation philanthropic programs.

In both cases Proteomics International will receive a royalty on all tests sold, and product launches are targeted for later in 2018. These licensing deals also represent important stepping stones to the commercialisation of PromarkerD in other jurisdictions around the world.

PromarkerD as a Complementary Diagnostic (CDx)

Proteomics International also announced a partnership with innovative drug developer Dimerix Limited (ASX:DXB) in December 2017. Dimerix has developed a candidate drug therapy for chronic kidney disease, known as DMX-200. The drug has shown promise in early clinical trials, particularly in patients with diabetic kidney disease. PromarkerD will be used to explore treatment responses in the Dimerix Phase 1 and Phase 2 clinical trials underway at another of Proteomics International's partners, Linear Clinical Research. If PromarkerD proves successful as a Complementary Diagnostic test to support the use of DMX-200 as treatment for chronic kidney disease, then Dimerix will have the option to licence PromarkerD for on-going use. Preliminary results are due by the end of 2018.

1. PromarkerD

PromarkerD clinical highlights

An essential element of Proteomics International's commercialisation strategy is the engagement of Key Opinion Leaders (KOLs) in the diabetes field through independent review, presentation, and publication of the Company's scientific findings.

The clinical predictive study on the PromarkerD test was published in the November 2017 edition of Diabetes Care, one of the top two diabetes journals globally. The results show "prediction of rapid decline in renal function independently of recognised clinical risk factors", and that the test can predict the onset of diabetic kidney disease better than any current measure. The publication follows several years of collaboration with the University of Western Australia Medical School and the Fremantle Diabetes Study, and provides a critical verification of the PromarkerD test.

The Diabetes Care publication builds on an earlier foundation publication of the PromarkerD diagnostic technology in the journal of the European Proteomics Association, alongside the presentation of clinical data to the American Diabetes Association in June 2017. All such engagements with KOL's are important for product awareness and validation, and provide a springboard for future licensing deals.

During the year Proteomics International was granted further patents for PromarkerD in the key markets of Japan, and in the major European countries of Britain, Germany, France, Italy, Spain and Turkey. The Company's patent in the United States was also expanded to cover all kidney disease. These patents represent key milestones in the commercialisation of PromarkerD, and complement existing patents already granted in Australia, China, Russia and Singapore.

PromarkerD invited presentations

- **16th Human Proteome Organisation World Congress 2017 (Dublin, Ireland)**
  Managing Director Dr Richard Lipscombe presented on 'Applying proteomics to build a precise, predictive test for diabetic kidney disease'.
- **Science on the Swan 2018 (Perth, Western Australia)**
  Managing Director Dr Richard Lipscombe presented on 'Diagnosing Diabetic Kidney Disease - "PromarkerD": Partnering with Biotech to Improve Health Care'.
- **International Proteomics Conference 2017 (Kuala Lumpur, Malaysia)**
  Research Manager Dr Scott Bringans presented on 'Promarker™: A comprehensive mass spectrometry based biomarker discovery and validation platform as applied to diabetic kidney disease' under the Analytical, Microbial and Industrial Proteomics session.

Scientific publications describing PromarkerD

Peters KE, Davis WA, Ito J, Winfield K, Stoll T, Bringans SD, Lipscombe RJ, and Davis TME (2017). Identification of Novel Circulating Biomarkers Predicting Rapid Decline in Renal Function in Type 2 Diabetes: The Fremantle Diabetes Study Phase II. *Diabetes Care* 40, 1548-1555.

Peters KE, Davis WA, Ito J, Winfield K, Stoll T, Bringans SD, Lipscombe RJ, Davis TME (2017). Novel circulating biomarkers predict rapidly declining renal function in type 2 diabetes: The Fremantle Diabetes Study. *Diabetes*, 66 (Supplement 1).

Bringans SD, I to J, Stoll T, Winfield K, Phillips M, Peters KE, Davis WA, Davis TME, Lipscombe RJ (2017). Comprehensive mass spectrometry based biomarker discovery and validation platform as applied to diabetic kidney disease. *EuPA Open Proteomics* 14, 1-10.

● *Countries with PromarkerD patents* ● *Countries with PromarkerD patents pending*

Proteomics International owns two families of patents for PromarkerD in key markets with others pending.

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 • All patents valid until September 2031		
Australia	2011305050	Granted
Brazil	BR1120130067640	*Pending*
China	ZL201180053583.9	Granted
Europe[1]	3151012	Granted "Biomarkers associated with diabetic nephropathy"
India	3012/DELNP/2013	*Pending*
Indonesia	W00 2013 01585	*Pending*
Japan	2013-528474	Granted
Russia	2596486	Granted
Singapore	188527	Granted
USA	US 9,146,243 B2	Granted "Method of assessing diabetic nephropathy using CD5 antigen-like"

[1] Validated in France, Germany, Italy, Turkey, Spain, United Kingdom

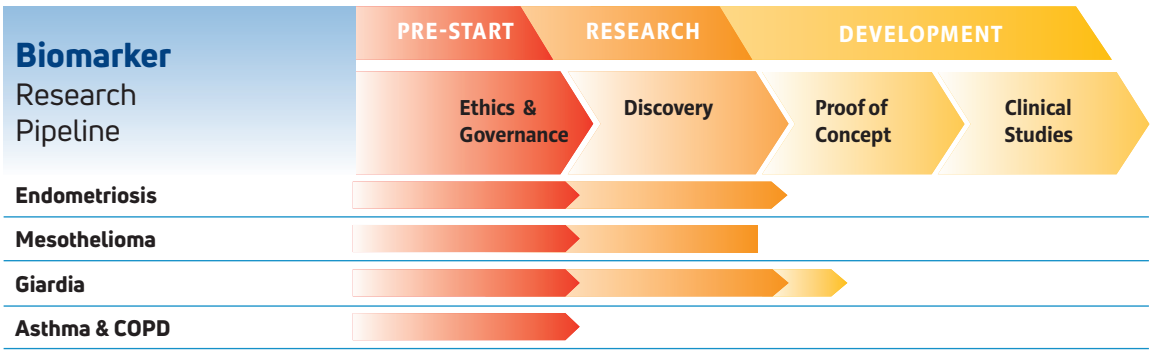
Family Two patents relate to a diagnostic test for kidney disease

Country	Patent No	Status
"Biomarkers associated with kidney disease" • Patent valid until Sept 2031		
Australia	2015202230	Granted
"Method of Assessing a Subject for Abnormal Kidney Function" • Patent valid until Sept 2031		
USA	US 9,733,259	Granted
"Method for the diagnosis of kidney damage in the early stages" • All patents valid until July 2021		
Europe[2]	EP1410039	Granted/Licensed
USA[2]	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[2]	EP1941274	Granted/Licensed

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

2. Diagnostics

DIAGNOSTICS RESEARCH AND DEVELOPMENT - THE PROMARKER™ PIPELINE



The Promarker™ research pipeline and typical timeline is as follows:
Ethics & governance approval (3 months), Discovery (3-6 months), Proof of concept (3-6 months), Clinical studies (12 months)

The second target area for Company growth is applying the Promarker™ technology platform to create new diagnostic tests for chronic diseases with unmet medical need. Proteomics International continued to invest in research and development to create this new intellectual property (IP). The Company's protein biomarker discovery program is investigating protein 'fingerprints' associated with the following diseases:

Endometriosis

Status update: *Discovery study completed.*
Proof of Concept study pending.

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. This 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.

The lack of understanding about endometriosis has hidden the serious economic burden the disease places on society. The condition is estimated to cost Australia $7.7 billion annually, two thirds of which is attributed to lost productivity.

The study was originally targeted for completion of the preliminary phases in 2017, however, delays were experienced in obtaining ethics approval for the project. During this period the Promarker technology platform was refined, and the Discovery study was initiated in April 2018. Results to date have identified several potential biomarkers for the disease, which now require verification using the next step in the pipeline. The Proof of Concept study is able to identify candidates with greater statistical confidence, and if successful, may lead to patentable IP.

Mesothelioma

Status update: *Discovery study completed.*
No novel candidates identified. Project discontinued.

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

Parasite infections: *Giardia*

Status update: *Discovery study completed.*
Proof of Concept study on-going.

Giardia is one of the most common parasitic human diseases globally. About 10% of those infected have no symptoms. In 2013, there were about 280 million people worldwide with symptomatic giardiasis. In some developing countries *Giardia* is present in 30% of the population, and in the USA it is estimated that it is present in 3–7% of the population.

The risk for human health is that some *Giardia* strains that affect pets can cross into humans (zoonotic), whilst others do not (host specific). Current tests cannot easily differentiate these host specific and zoonotic strains. Proteomics International is collaborating with Murdoch University Veterinary School and a leading US veterinary company to develop an improved diagnostic test that is strain specific, and could be used to test if infected pets present a risk to their owners. The project is also supported by the AusIndustry Innovations Connections Program.

Asthma and Chronic Obstructive Pulmonary Disease (COPD)

Status update: *Ethics approved.*
Discovery study pending.

In December 2017, Proteomics International joined forces with the Busselton Population Medical Research Institute to improve the diagnosis and treatment of lung conditions such as asthma and chronic obstructive pulmonary disease, which cost health care systems tens of billions of dollars a year. The agreement gives Proteomics International access to the globally-recognised Busselton Health Study, one of the longest running epidemiological research programs in the world.

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

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

Trademarks for PROMARKER

Trademark for the "Promarker" brand has been sought in multiple jurisdictions. PROMARKER® trademark protection has the potential to extend the lifespan of future revenue streams beyond the expiry of Proteomics International's patents.


United States of America
United States Patent and Trademark Office
PROMARKER

3. Analytical Services

Proteomics International has over 17 years of corporate experience in analysing proteins and small molecules across human, plant and animal biology.

Revenue from Analytical Services grew strongly in the second half of 2017-18. Fee-for-service sales growth was driven by an increased demand for biosimilars (generic protein drugs) testing services, and new revenue from pharmacokinetic (PK) testing for clinical trials (see "Technology Snapshot").

Proteomics International's partnership with Linear Clinical Research for PK testing for clinical trials [ASX: 15 Nov 2016] started contributing strongly to sales with the completion of the first PK studies within the Company's laboratories. Australia is a global leader in clinical trials due to its efficient regulatory framework and high quality trial sites, and this sector has the potential to generate further revenue growth.

Demand for biosimilars testing is exemplified by the recently announced record contract with BiosanaPharma for quality control testing of a biosimilar monoclonal antibody drug for asthma (see Events Since the End of the Financial Year).

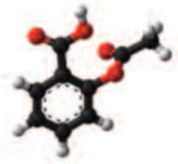
3. Analytical Services

World's most accredited protein testing laboratory

Proteomics International has been accredited for compliance with ISO/IEC 17025 since 2009, when its laboratory became the first facility in the world to receive ISO/IEC accreditation for proteomics services. Proteomics International also holds Research and Development accreditation to ISO/IEC 17025, together with the OECD Principles of Good Laboratory Practice, and has held this accreditation since 2016 (Accreditation number: 16838).

Accreditation recognises Proteomics International's ability to consistently achieve technically valid, traceable and reproducible results. In Australia, accreditation is assessed by NATA (the National Association of Testing Authorities). ISO/IEC 17025 is recognised worldwide as the main ISO standard used by testing and calibration laboratories, and is the most widely used laboratory standard for US Federal testing laboratories. Accreditation means that clients and regulatory authorities can have confidence in test results and helps companies identify reliable service providers.

Biosimilars are complex generic protein drugs

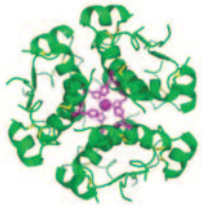


21 atoms

Aspirin

analgesic first derived from tree bark.
180 atomic mass units

Penny Farthing
20kg

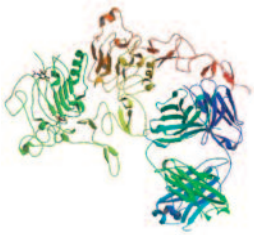


723 atoms

Insulin

peptide used in diabetes management.
5,808 atomic mass units
32 x aspirin

Mini Cooper
650kg



25,000 atoms

Herceptin®

engineered Monoclonal Antibody used for treating breast cancer and chronic kidney failure.
150,000 atomic mass units
850 x aspirin • 26 x insulin

F18 Jet Fighter
17,000kg

Biosimilars copy existing biological medicines coming off patent (for example Herceptin), and are required to show robust chemical comparability to the original product at every stage of development, and consequently require precise quality control testing.

DRUG DISCOVERY

Proteomics International has had a long standing interest in innovative drug discovery, with the Company's first substantial external funding received to develop a novel therapeutic pipeline in 2008 (see Company Timeline). This pipeline became the basis for the Promarker™ technology platform. The drug discovery program is on hold whilst the Company focuses its resources on the commercialisation of PromarkerD, diagnostics, and the provision of Analytical Services.

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 engaged industry experts Eric Button and Dr Masafumi Yoshimoto to promote the sale of PromarkerD in the key markets of the USA and Japan [ASX: 22 November 2017].

STRATEGIC COLLABORATIONS

To ensure Proteomics International realises its scientific and business objectives it works closely with the biotechnology and life sciences community across Australia. Highlights of these collaborations include:

Harry Perkins Institute of Medical Research (Perkins)

The Perkins is the premier adult medical research institute in Western Australia, where the Company has held close ties since 2006, and where Proteomics International is headquartered.

Linear Clinical Research (Linear)

Since 2016, Proteomics International has worked in collaboration with Linear to develop pharmacokinetic analytical services to enable end-to-end clinical trial services in Western Australia. This partnership started to contribute strongly to the Company's revenue growth in 2018.

Bioplatforms Australia (BPA)

BPA is 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 Perkins.

CPR Pharma Services (CPR)

In February 2018, the Proteomics International announced a strategic alliance with clinical services specialist CPR, to further target the fast-growing area of clinical trials. The alliance sees Proteomics International provide its Complementary Diagnostics and Analytical Services capability to complement CPR's position as a regional leader in the provision of clinical services and laboratory testing in clinical trials. The partnership was cemented with Proteomics International taking a 10% shareholding in CPR in return for 4 million PIQ shares.

Australian Research Council Training Centre for Personalised Therapeutics Technologies

This national $3.1 million Industrial Transformation Training Centre (ITTC) sees Proteomics International work with university-based researchers to provide industry training through the application of the Promarker™ technology to Complementary Diagnostics. The centre is hosted by the University of Western Australia, Monash University and the University of Melbourne.

Accelerating Australia

This national consortium covering academia, industry and health care providers, received $1m in October 2017 from MTP Connect (the Medtech and Pharma Growth Centre) to build a cohesive and collaborative early stage biomedical translation ecosystem. As a commercial partner, Proteomics International enjoys early access to new ideas and products. Accelerating Australia is led by the Centre for Entrepreneurial Research and Innovation based in Western Australia.

Dr Bill Parker Memorial Industrial Scholarship

In 2017, the Company launched the inaugural Dr Bill Parker Memorial Industrial Scholarship in memory of its co-founder. Proteomics International awarded a scholarship to Imogen Sorby from Perth Modern School, to take a gap year and gain industry experience within the Company, prior to undertaking an undergraduate degree at the University of New South Wales.

Grants and government funding

Proteomics International received the following grants and government funding:

- Research and Development Tax Incentive of $786,225
- Export Market Development Grant of $56,942
- BioPlatforms Australia Industry Access Voucher Scheme for $10,000 to assist development work for the PromarkerD Enzyme-Linked Immunosorbent Assay (ELISA)
- AusIndustry Innovation Connections Grant of $48,598 to support the development of a diagnostic test for Giardia

Scientific publications resulting from Proteomics International's strategic collaborations.

Mane, **Bringans**, Johnson, Pareek, Utikar (2017). *Reverse phase HPLC method for detection and quantification of lupin seed gamma-conglutin. J Chromatogr B Analyt Technol Biomed Life Sci. 1063, 123-129.*

Boyatzis, **Bringans**, Piggott, Duong, **Lipscombe**, and Arthur (2017). *Limiting the Hydrolysis and Oxidation of Maleimide Peptide Adducts Improves Detection of Protein Thiol Oxidation. J. Proteome Res. 16, 2004-15.*

Hane, Ming, Kamphuis, Nelson, Garg, Atkins, Bayer, Bravo, **Bringans**, Cannon, Edwards, Foley, Gao, Harrison, WeiHuang, Hurgobin, Li, Liu, McGrath, Morahan, Murray, Weller, Jian and Singh (2017). *A comprehensive draft genome sequence for lupin (Lupinus angustifolius), an emerging health food: insights into plant–microbe interactions and legume evolution. Plant Biotechnology Journal 15, 318-330.*

Trade and industry events

Proteomics International attended a number of targeted industry and scientific events over the year including:

- Australian Diabetes Society Annual Scientific Meeting, Perth (August 2017)
- India Trade Visit, Hyderabad, Chennai and Bangalore (September 2017)
- 16th Human Proteome Organisation World Congress, Dublin (September 2017)
- Ausbiotech 2017, Adelaide (October 2017)
- India Trade Visit, Mumbai, Pune, Ahmedabad, and Bangalore (February 2018)
- American Diabetes Association 78th Scientific Sessions, Orlando (June 2018)

Media coverage

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

- ACN Newswire
- BioSpace
- BioSpectrum Asia
- Bloomberg
- Business News Asia
- Diabetes.co.uk
- Genomeweb
- Radio National
- Sky News Business

More detail can be found on the Proteomics International and PromarkerD websites.

CORPORATE

Board changes

Proteomics International added further depth to its Board with the appointment of Mr Paul House as Non-Executive Director on 22 November 2017. Mr House was previously Managing Director of SGS India, where he served for eight years and was responsible for a workforce of approximately 4,500 personnel across 65 locations in India, including 38 laboratories. SGS is the world's leading Testing, Inspection and Certification (TIC) company, and operates a network of offices and laboratories in more than 140 countries. Mr House has also previously held Chief Financial Officer and Chief Operating Officer roles, and was Senior Manager for several years at a leading global management consultancy firm.

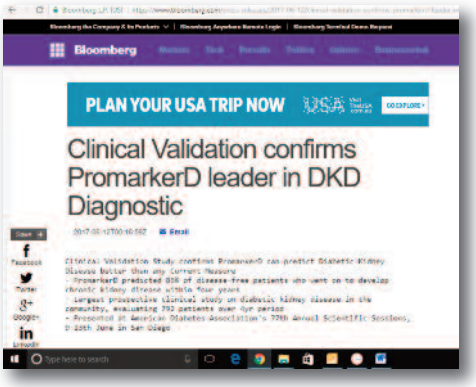
Capital raising

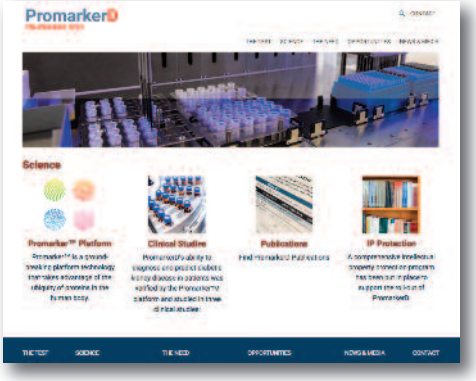
Proteomics International raised the maximum available amount of $3.4 million through the exercise of its listed options in March 2018. Existing option holders exercised 90% of their entitlements, including more than $1 million exercised by Proteomics International directors. The underwriter Alto Capital exercised the final 10% of the options outstanding, or $341,808.

The additional funds are helping to drive the ongoing commercialisation of PromarkerD and accelerate the growth of the business.

Investor research coverage

An updated research report on Proteomics International was released by SA Capital in December. The Company was also featured on the Sky Business Small Cap segment, The Bull (an Australian market outlook newsletter), and Proactive Investor's Stocktube. Links to these features are available at: **www.proteomics.com.au**





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 17 July 2018, Proteomics International announced that it had won a major Analytical Services contract to perform testing of a biosimilar allergic asthma drug for Dutch/Australian company BiosanaPharma. The contract is to conduct an analytical comparability study on production runs of the drug, and is Proteomics International's largest analytical services contract to date with a value of USD 260,000.

On 23 August 2018, the Company provided a market update on its diagnostics research and development – the Promarker™ pipeline, including the discovery of potential biomarkers for endometriosis and *Giardia*. This work is described in the Review of Operations (page 14).

LIKELY DEVELOPMENTS

Proteomics International will continue to pursue the commercialisation of its lead diagnostic test, PromarkerD. In the USA and Mexico, where licences have recently been granted, the focus will be on launching the test in 2018. Combined with the Dominican Republic where the test has already launched, the focus will then shift to growing sales through the year, with Proteomics International receiving a royalty on all tests sold. In parallel, the Company will seek new out-licensing opportunities for PromarkerD, focusing on its target markets of China, Europe and Japan.

As for any novel test, market penetration cannot be predicted accurately, hence for each licence it is not possible to quantify the financial impact on Proteomics International in any given timeframe. Nonetheless, PromarkerD has the potential to spare millions of people from the cost of dialysis, saving each health care system billions of dollars. Consequently, the Company believes that ultimately the financial impact of each licence will be significant.

The development pipeline for new diagnostic tests will progress using the Promarker technology platform, with the intention of creating new intellectual property that can be out-licensed in future years.

These R&D and commercialisation activities will continue to be underpinned by the Analytical Services operations. Fee-for-service revenue has been growing strongly and Proteomics International anticipates further growth.

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.

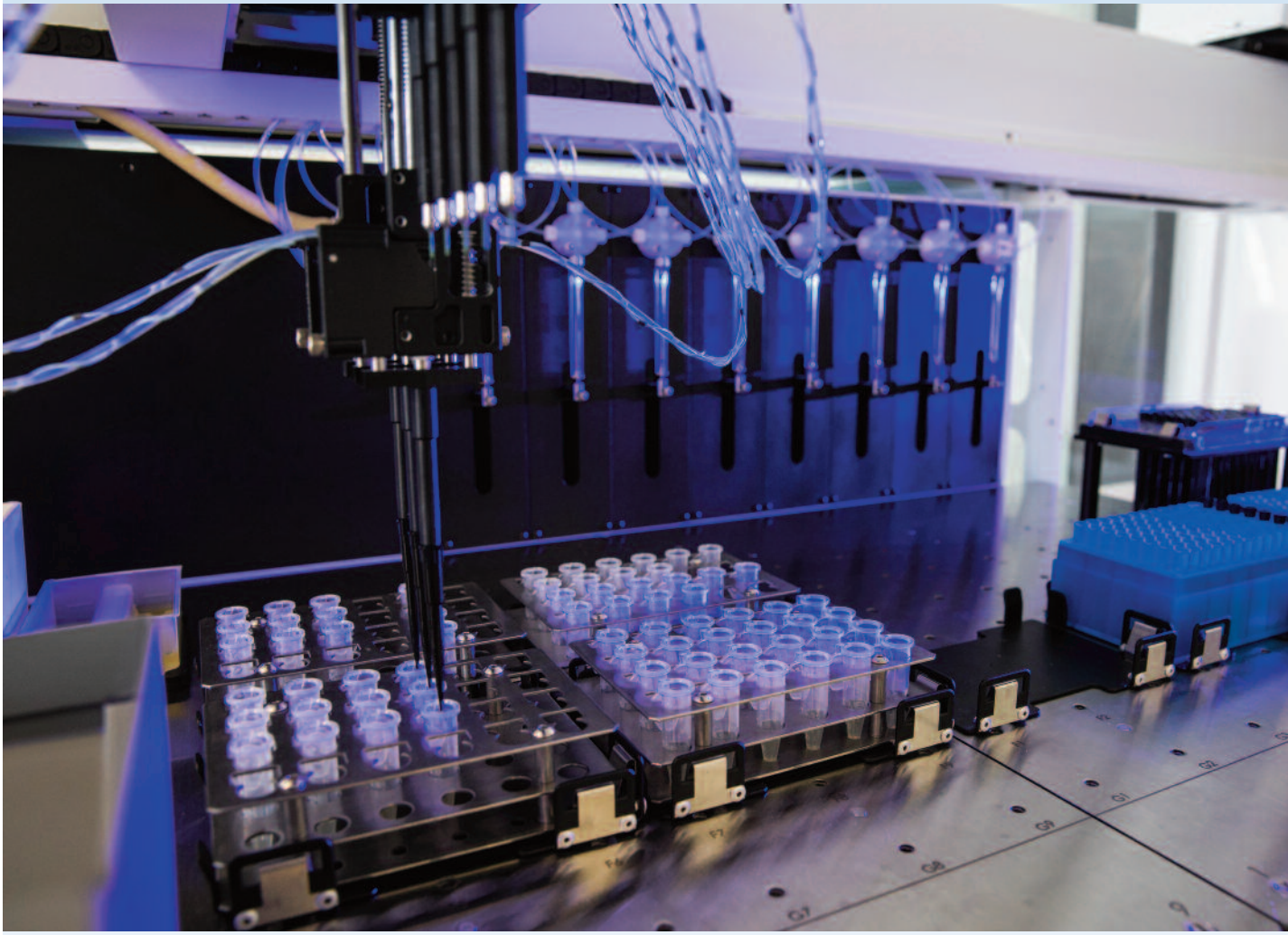
GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

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 'CorporateGovernance':
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 Director
Roger Moore - Non-Executive Director
Paul House - Non-Executive Director

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 4 years.	Chairman	2,348,000	-	-
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 biomolecules 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 17 years.	Managing Director	19,011,204	-	-
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 17 years.	Nil	5,804,188	-	-
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	627,000	-	-
Mr Paul House GAICD, BCom (UWA) 	Paul previously served eight years as the Managing Director of SGS India, where he was responsible for a workforce of approximately 4,500 personnel across 65 locations in India, including 38 laboratories. SGS is the world's leading Testing, Inspection and Certification (TIC) company, and operates a network of offices and laboratories in more than 140 countries. Paul has previously held Chief Financial Officer and Chief Operating Officer roles, and was Senior Manager for several years at a leading global management consultancy firm. Paul has a track record for delivery of business performance targets, revenue growth, margin improvement, market share and productivity, across multiple services, markets and borders. Paul joined the Board in November 2017.	Nil	375,000	-	-

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
Paul House	Nil	Nil

COMPANY SECRETARY

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

Karen Logan is a Chartered Secretary with over 15 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 2018, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors	
	A	B
Mr Terry Sweet	14	15
Dr Richard Lipscombe	15	15
Dr John Dunlop	15	15
Mr Ian Roger Moore	14	15
Mr Paul House +	9	11

A = Number of meetings attended
B = Number of meetings held during the time the Director held office
+ = Appointed November 2017

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 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.

Chief Operating Officer

Dr Pearl Tan

Pearl joined Proteomics International in 2013 to lead the commercialisation of its patented 2-tag technology (used for the measurement of oxidative stress). Pearl has a background in research and 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 over 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 expanding the fee-for-service and quality testing portfolio. Scott has been with the Company for 12 years.

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 with the Australian Genome Research Facility.

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.

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)
- Mr Paul House — Non-Executive Director (independent, appointed 22 November 2017)

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 Directors' 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 non-executives' remuneration mix:

Fixed $	"At risk" $	Total $
140,497	0	140,497

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 $
186,150	0	186,150

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.

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 2017 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:

2018	Short-term benefits Directors fees $	Salary $	Post-employment benefits Superannuation $	Other-long term benefits Annual leave $	Share based benefits 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	-	(10,239)	22,611	-	-
Ian Roger Moore	30,000	-	2,850	-	-	32,850	-	-
Paul House	18,308	-	1,739	-	-	20,047	-	-
Executive Director								
Richard Lipscombe	-	170,000	16,150	20,591	(38,394)	168,347	-	-
TOTAL	**128,308**	**170,000**	**28,339**	**20,591**	**(48,633)**	**298,605**		

2017								
Non-Executive Directors								
Terry Sweet	50,000	-	4,750	-	-	54,750	-	-
John Dunlop	30,000	-	2,850	-	(45,339)	(12,489)	-	-
Ian Roger Moore	19,047	-	1,809	-	-	20,856	-	-
Executive Director								
Richard Lipscombe	-	170,000	16,150	18,014	(177,258)	26,906	-	-
TOTAL	**99,047**	**170,000**	**25,559**	**18,014**	**(222,597)**	**90,023**		

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's 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

Mr Paul House *(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

No other long term 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 2018 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	Vested during the year Number	Balance at end of the year Number	Fair Value at grant date [2]
27 Oct 2014	13 Apr 2018	-	-	-	-	-	571,429
27 Oct 2014	13 Apr 2018	19	-	19	-	-	285,714
27 Oct 2014	13 Apr 2018	76	-	76	-	-	1,142,857
Total		**95**	**-**	**95**	**-**	**-**	**2,000,000**

1. Based on the maximum period to expiry of hurdle 1.
2. Based on the maximum value available if all rights are achieved taking into account the cap on the number of shares issued.

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

REMUNERATION REPORT (continued)

F. Additional information

While earning and shares 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):

	2018 $
Total income	2,150,923
EBITDA and non-cash	(1,070,912)
EBIT	(1,378,369)
Profit/(Loss) after tax	(1,440,108)

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

	2018 $
Share price at listing date ($A)	0.20
Share price at financial year end ($A)	0.20
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	Balance at the end of the year
2018				
Terry Sweet	1,098,000	-	1,250,000	2,348,000
Richard Lipscombe	16,253,781	-	2,757,423	19,011,204
John Dunlop	5,429,188	-	375,000	5,804,188
Roger Moore	187,000	-	440,000	627,000
Paul House	-	-	375,000	375,000

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[1]	Balance at the end of the year
2018				
Terry Sweet	2,758,875	-	(2,758,875)	-
Richard Lipscombe	3,385,321	-	(3,385,321)	-
John Dunlop	375,000	-	(375,000)	-
Roger Moore	-	-	-	-
Paul House	-	-	-	-

1.The movements in the options relates to their conversion to shares or transfer to other Directors, or allowed to lapse in March 2018.

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	Interest not charged	Amounts forgiven	Balance at the end of the year[1]	Highest balance of the loan during the year
2018						
Richard Lipscombe	366,392	12,446	-	-	-	366,392
	366,392	**12,446**	**-**	**-**	**-**	**366,392**

1. The loan was fully repaid during the financial year.

The terms of the loans are as follows:

Particulars	Terms
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.

(ii) Consultancy services

Roger Moore provided business development services in the amount of $2,715 on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

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

Date options granted	Expiry date	Exercise price	Number under option
17/06/2017	17/07/2019	$0.25	400,000
17/08/2017	17/07/2019	$0.25	100,000
3/11/2017	31/10/2019	$0.30	650,000
8/03/2018	8/03/2020	$0.35	500,000
22/05/2018	31/05/2020	$0.30	1,100,000
			2,750,000

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

Options that were converted into shares during the year was 17,231,856 (2017: 325).

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 Audit (WA) Pty Ltd) during the 2018 or 2017 financial years.

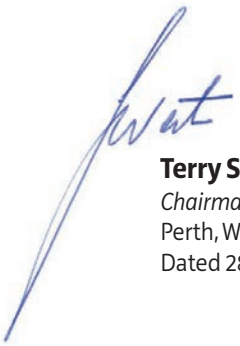
AUDITOR

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 28th August 2018

Auditor's Independence Declaration

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Proteomics International Laboratories Ltd for the year ended 30 June 2018, 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 Ltd and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 August 2018

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Revenue from continuing operations			
- Services		1,176,457	925,357
Other Income			
- Grant income		103,277	127,878
- Interest income		26,607	15,409
- Other income	2 (b)	459	1,197
- Research and development tax incentive	2 (a)	844,123	790,751
Employment and labour expenses	2 (c)	(1,596,329)	(1,536,027)
Share based payments credit (expense)	15	(71,767)	151,288
Depreciation expense		(235,690)	(165,210)
Intellectual property maintenance expenses		(81,750)	(116,270)
Interest expense		(61,739)	(65,048)
Laboratory supplies		(466,695)	(369,024)
Professional fees		(429,652)	(217,457)
Travel and marketing expenses		(104,011)	(137,271)
Laboratory access fees		(126,258)	(93,436)
Realised loss in foreign currency translation	2 (b)	(5,157)	(9,176)
Other expenses		(411,983)	(219,436)
(Loss) before income tax		(1,440,108)	(916,475)
Income tax (expense) / benefit	3 (a)	-	-
(Loss) after income tax from continuing operations		(1,440,108)	(916,475)
Total comprehensive loss for the year		(1,440,108)	(916,475)
Total comprehensive loss attributable to equity holders of Proteomics International Laboratories Ltd		(1,440,108)	(916,475)
Basic loss per share for the year attributable to the members of Proteomics International Laboratories Ltd	25	(0.02)	(0.02)
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 2018

	Notes	Consolidated Entity 2018 $	Consolidated Entity 2017 $
CURRENT ASSETS			
Cash and cash equivalents	4	2,316,781	775,140
Trade and other receivables	5	603,270	317,858
Other assets	6	871,750	826,262
TOTAL CURRENT ASSETS		3,791,801	1,919,260
NON-CURRENT ASSETS			
Property, plant and equipment	8	363,979	511,236
Other assets	6	160,000	457,671
Investments	7	1,177,898	-
Intangible assets		1,012	1,012
TOTAL NON-CURRENT ASSETS		1,702,889	969,919
TOTAL ASSETS		5,494,690	2,889,179
CURRENT LIABILITIES			
Trade and other payables	9	390,136	314,823
Borrowings	11	147,500	219,239
Provisions	10	73,500	44,785
TOTAL CURRENT LIABILITIES		611,136	578,847
NON-CURRENT LIABILITIES			
Borrowings	11	164,921	656,156
Provisions	10	42,248	44,301
TOTAL NON-CURRENT LIABILITIES		207,169	700,457
TOTAL LIABILITIES		818,305	1,279,304
NET ASSETS		4,676,385	1,609,875
EQUITY			
Issued capital	12	10,369,887	5,935,036
Reserves	14	490,195	418,428
Accumulated losses	16	(6,183,697)	(4,743,589)
TOTAL EQUITY		4,676,385	1,609,875

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 2018

CONSOLIDATED ENTITY 30 JUNE 2018

	Notes	Issued Capital Ordinary $	Reserves $	Retained Earnings (Accumulated Losses) $	Total Equity $
Balance at 1 July 2017		5,935,036	418,428	(4,743,589)	1,609,875
Loss for the year		-	-	(1,440,108)	(1,440,108)
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		-	-	(1,440,108)	(1,440,108)
Transactions with Equity Holders in their capacity as Equity Holders					
Equity issued net of share issue costs	13	1,157,926	-	-	1,157,926
Conversion of Options	13	3,276,925	-	-	3,276,925
Share based payments (credit)	15	-	71,767	-	71,767
		4,434,851	71,767	-	4,506,618
Balance as at 30 June 2018		**10,369,887**	**490,195**	**(6,183,697)**	**4,676,385**

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	13	1,886,155	-	-	1,886,155
Conversion of Options	13	65	-	-	65
Share based payments (credit)	15	-	(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**

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 2018

	Notes	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Cash flows from operating activities			
Receipts from customers		886,347	844,498
Payments to suppliers and employees		(2,829,120)	(2,862,214)
Interest paid		(61,739)	(65,048)
Research and development tax incentive		790,751	571,613
Grant income		103,277	24,890
Interest received		26,607	15,409
Net cash (outflow) from operating activities	4	(1,083,877)	(1,470,852)
Cash flows from investing activities			
Payments for property, plant and equipment		(50,483)	(146,985)
Net cash (outflow) from investing activities		(50,483)	(146,985)
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		3,276,925	65
Proceeds from the entitlement issue (net of costs)		-	-
Repayment of borrowings		(600,924)	(75,499)
Net cash inflow from financing activities		2,676,001	1,810,721
Cash and cash equivalents at the beginning of the financial year		775,140	582,256
Net increase (decrease) in cash and cash equivalents		1,541,641	192,884
Cash and cash equivalents at the end of the financial year	4	2,316,781	775,140

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 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report Proteomics International Laboratories Ltd (the **Company**) for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of directors on 27 August 2018.

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*.

The Company 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 2018 the entity recorded a loss of $1,440,108 (2017: loss $916,475) and had net cash outflows from operating activities of $1,083,877 (2017: net cash outflows $1,470,852).

The Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report for the following reasons:

- The current business development prospects show an increase in activity and should lead to increasing ongoing revenue;
- The excess of current assets over current liabilities is $3,180,665 as at 30 June 2018;
- The R&D tax incentive of $844,123, which has been recorded in other receivables in the statement of financial position is expected to be received by October 2018;
- The Directors remain committed to the long-term business plan that is contributing to improved results as the business services progress; and
- The budgets and forecasts reviewed by the Directors for the next twelve months anticipate the business will continue to produce improved results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(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 preparing the financial information. Facts and circumstances may come to light after the event which may have significantly varied the assessment used, and which may 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(d) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. 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 Company.

(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 Company 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 statement of profit or loss and other comprehensive income, 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 unless:

- It is technically feasible to complete the asset so that it will be available for use;
- There is an ability to use or sell the asset;
- It can be demonstrated how the asset will generate probable future economic benefits;
- Technical, financial and other resources to complete the development of, 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(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 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 liabilities in the statement of financial position, described as other payables, and comprise 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.

(j) 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 in the statement of profit or loss and other comprehensive income with a corresponding increase in equity in the statement of financial position. 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 statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity in the statement of financial position.

(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 recognized in the statement of profit or loss and other comprehensive income.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(l) Income tax (continued)

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

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

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

(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:

i) it is expected to be realised or intended to be sold or consumed in normal operating cycle;
ii) it is held primarily for the purpose of trading;
iii) it is expected to be realised within twelve months after the reporting period; or
iv) 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:

i) it is expected to be settled in normal operating cycle;
ii) it is held primarily for the purpose of trading;
iii) it is due to be settled within twelve months after the reporting period; or
v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(p) Property, plant and equipment

The Company'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 Company 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.

(q) Leases

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

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

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

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

The Company entered into several finance leases during the year ended 30 June 2017 and year ended 30 June 2018. Management has decided it will adopt AASB 16 and capitalise all leased assets and record all lease liabilities in the year ended 30 June 2019.

(r) Trade and other payables

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

(s) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(t) Fair value measurement

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

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

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

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

(u) Issued capital

Ordinary shares are classified as equity.

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(w) Goods and Services Tax (GST) and other similar taxes

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

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

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

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

(x) Impairment

The Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

(y) New Accounting Standards and Interpretations

(i) mandatory or early adopting

The Company 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.

(ii) 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 Company for the period ended 30 June 2018. 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 Company when implemented.

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 Company, however the impact has yet to be quantified. The Company 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 Company, however the impact has yet to be quantified. The Company will adopt this standard from 30 June 2019.

(z) Investments

The Company's accounting policy for investments is to record them at fair value. During the year ended 30 June 2018 the Company acquired 10% of the fully diluted ordinary share capital of CPR Pharma Services Pty Ltd. This was achieved by the Company issuing 3,868,305 fully paid ordinary shares to CPR Pharma Services Pty Ltd in exchange for 112,397 fully paid ordinary shares in CPR Pharma Services Pty Ltd. The Directors have used significant judgement around the value and determined that the value in the financials is a fair representation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

2. LOSS FOR THE YEAR

Loss for the full year included the following:	Notes	Consolidated Entity 2018 $	Consolidated Entity 2017 $
(a) R&D Tax incentive (i)		844,123	790,751
(b) Other expenses (income)			
Unrealised foreign exchange losses / (gains)		(459)	(1,197)
Realised losses		5,157	9,176
(c) Employee and labour expenses			
Salary and wages		1,273,345	1,207,164
Other personnel costs		176,358	172,969
Superannuation		120,697	114,482
Increase in leave liabilities		26,662	41,412
		1,597,062	1,536,027
Share based payment expenses (credit)		71,767	(151,288)
		1,668,829	1,384,739

(i) R&D Tax incentive

The Company undertakes a substantial amount of research in its daily activities. The Company 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. The amount of the incentive (rebate) is included as an income item in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018, and the corresponding receivable included in the consolidated statement of financial position. The receipt of the tax incentive will occur in the year ended 30 June 2019.

3. INCOME TAX EXPENSE / (BENEFIT)

(a) Income tax expense / (benefit)	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Current tax / (over provision in prior year)	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation of income tax to prima facie tax

(Loss) from continuing operations	(1,440,108)	(916,475)
Tax at the Australian tax rate 27.5% (2017 27.5%)	(396,030)	(252,031)
Tax effect of the amounts that are not deductible / (taxable) in calculating taxable income		
- Share based payments (credit)	19,736	(41,604)
- Research and development tax incentive	(232,134)	(217,457)
- Withholding tax paid in overseas locations	2,892	7,474
- Reduction in loss for tax incentive	605,536	503,618
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

3. INCOME TAX EXPENSE / (BENEFIT) (continued)

(c) Tax losses

Unused tax losses for which no deferred tax assets have been recognised	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Australian losses	1,801,493	1,330,901
Potential tax benefit at 27.5% (2017 27.5%)	495,411	365,998

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	1,872	2,446
Accruals	26,662	61,575
Capital raising through equity	-	-
Tax losses	1,801,493	1,330,901
	1,830,027	1,394,922

4. RECONCILIATION OF CASH

	Notes	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Cash at bank		604,335	225,140
Deposits at call		1,712,446	550,000
Total cash and cash equivalents		2,316,781	775,140
(a) Reconciliation of loss after income tax to net cash flows from operating activities			
Loss for the year		(1,440,108)	(916,475)
Depreciation		235,690	165,210
Share and options based payments expense (credit)	13	71,767	(151,288)
(Increase) / decrease in trade and other debtors		(285,412)	(175,868)
(Increase) / decrease in other assets		232,211	(407,062)
Increase / (decrease) in trade and other creditors		75,313	(26,781)
Increase / (decrease) in provisions		26,662	41,412
Net cash outflow from operating activities		(1,083,877)	(1,470,852)

(b) Non-cash financing and investing activities

On 8 March 2018, the Company issued a total of 3,868,305 fully paid ordinary shares to CPR Pharma Services Pty Ltd (CPR) in exchange for a transfer of 10% of the fully diluted issued share capital of CPR. The Company received 112,397 fully paid ordinary shares in CPR.

There were no non-cash financing and investing activities during the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

5. TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Trade receivables	602,300	214,870
Other receivables	970	102,988
	603,270	317,858

(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 2018.

(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

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Current:		
Research and development tax incentive	844,123	790,751
Prepayments – prepaid insurance	27,627	35,511
	871,750	826,262
Non-current:		
Security Deposit – equipment leases	160,000	457,671
	160,000	457,671

7. INVESTMENTS

Shares in CPR Pharma Services Pty Ltd - refer Note 1(z)	1,177,898	-
	1,177,898	-

8. PROPERTY, PLANT AND EQUIPMENT

Cost (i)	806,388	717,955
Accumulated depreciation	(442,409)	(206,719)
	363,979	511,236
Reconciliation:		
Opening net book value	511,236	20,458
Additions (i)	88,433	655,988
Disposals	-	-
Depreciation charge	(235,690)	(165,210)
Closing net book value	363,979	511,236

(i) includes capitalised leased assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

9. TRADE AND OTHER PAYABLES

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Trade creditors	125,880	135,885
Other creditors	162,977	178,938
Deferred Income	101,279	-
	390,136	314,823

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.

10. PROVISIONS

Current:		
Employee benefits - annual leave	73,500	44,785
Non-current:		
Employee benefits - long service leave	42,248	44,301

11. BORROWINGS

Current:		
Finance Leases (b)	147,500	219,239
Non-Current		
Loans – directors (a)	-	366,392
Finance Leases (b)	164,921	289,764
	164,921	656,156
(a) Directors Loans:		
Movements in directors' loans:		
Opening balance	366,392	441,891
- Amounts borrowed	-	-
- Amounts repaid	(366,392)	(75,499)
Closing balance	-	366,392

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 was unsecured and was provided on the following terms:

Particulars	Terms
Principal	$441,891
Interest rate	4%
Maturity	April 15 2019
Repayment	In cash at any time (Company) or at maturity in cash or in shares at the market price

The loan was repaid in full during the year ended 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

11. BORROWINGS (continued)	Consolidated Entity 2018 $	Consolidated Entity 2017 $
(b) Finance Leases:		
Commitments in relation to finance leases are payable as follows:		
Within one year	174,455	254,676
Later than one year but no later than five years	174,030	418,332
Minimum lease payments	348,485	673,008
Future finance charges	(36,064)	(164,005)
Recognised as a liability	312,421	509,003
Lease Liability - current	164,921	219,239
Lease Liability – non-current	147,500	289,764
Recognised as a liability	312,421	509,003

Terms of the Finance Leases

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

12. ISSUED CAPITAL

Share Capital	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary Shares	80,098,871	58,998,710	10,369,887	5,935,036
Total consolidated issued capital				

Movement in share capital

Date	Details	Number of shares 2018	$
1/07/2017	Opening balance	58,998,710	5,935,036
5/02/2018	Exercise of options	556,250	111,250
15/02/2018	Exercise of options	134,800	26,960
8/03/2018	Exercise of options	1,436,171	287,234
23/03/2018	Exercise of options	2,115,564	423,113
29/03/2018	Exercise of options	5,030,582	1,006,116
8/03/2018	Issue of shares (i)	3,868,305	1,177,898
6/04/2018	Exercise of options	6,249,448	1,249,890
16/04/2018	Exercise of options	1,709,041	341,808
	Less: Transaction costs		(189,418)
	Closing balance	80,098,871	10,369,887

(i) issued - to CPR Pharma Services Pty Ltd.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

12. ISSUED CAPITAL (continued)

(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.

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.

13. OPTIONS ON ISSUE

Options	2018 Options	2017 Options
Options excisable at $0.20 each	-	17,231,856
Options excisable at $0.25 each	500,000	-
Options excisable at $0.30 each	1,750,000	-
Options excisable at $0.35 each	500,000	-
Total	2,750,000	17,231,856

(a) Movement in options

	2018		2017	
	Average exercise price	Number of Options	Average exercise price	Number of Options
As at 1 July	$0.20	17,231,856	$0.20	15,732,181
Issued during the period	$0.20	-	$0.20	1,500,000
Exercised during the period	$0.20	(17,231,856)	$0.20	(325)
Issued during the period (i)	$0.25	100,000	-	-
Issued during the period (i)	$0.25	400,000	-	-
Issued during the period (ii)	$0.30	1,750,000	-	-
Issued during the period (iii)	$0.35	500,000		
As at 30 June	$0.30	2,750,000	$0.20	17,231,856

(i) Unlisted – issued to consultants, Canary Capital, for nil consideration and being for part consideration for services rendered.
(ii) Unlisted – employee options issued to employees of the Company for nil consideration under an Employee Incentive Option Plan.
(iii) Unlisted – issued to consultants, Canary Capital, for nil consideration and being for part consideration for services rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

13. OPTIONS (continued)

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

Grant Date	Expiry date	Exercise Price	No. Options
17/07/2017	17/07/2019	$0.25	400,000
17/08/2017	17/07/2019	$0.25	100,000
3/11/2017	**31/10/2019**	**$0.30**	**650,000**
8/03/2018	8/03/2020	$0.35	500,000
22/05/2018	31/05/2020	$0.30	1,100,000

(b) Fair Value of Employee Options

Particulars	Input	Input
Number of employee options	650,000	1,100,000
Valuation date	3 November 2017	22 May 2018
Expiry date	31 October 2019	31 May 2020
Underlying share price used	$0.175	$0.18
Exercise price	$0.30	$0.30
Risk-free rate	1.9%	2.05%
Volatility	100%	100%
Dividend yield	nil	nil
Valuation per Option	$0.060	$0.074

The value placed on the Employee Options is $120,400. This amount has been included in the share based payment expense for the year ended 30 June 2018.
The Company has used the Black Scholes Model to value the Employee Options.

(c) Fair Value of Consultant Options

Particulars	Tranche A	Tranche B	Tranche C
Number of consultant options	500,000	500,000	500,000
Valuation date	31 May 2017	31 May 2017	31 May 2017
Expiry date	31 May 2019	8 March 2020	30 June 2018
Underlying share price used	$0.165	$0.25	$0.35
Exercise price	$0.25	$0.35	$0.60
Risk-free rate	1.65%	1.65%	1.65%
Volatility	100%	100%	100%
Dividend yield	nil	nil	nil
Valuation per Option	$0.071	$0.112	$0.139

The value placed on the Consultant Options issued in the year ended 30 June 2018 is nil. These Consultant Options are valued at $159,500 and was included in the share based payment expense for the year ended 30 June 2017. The Tranche C options are cancelled.

The Company has used the Black Scholes Model to value the Consultant Options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

14. RESERVES

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Share Based payments reserve (a)		
(i) Performance rights	-	48,633
(ii) Payments to consultants	159,500	159,500
(iii) Employee share scheme	120,400	-
Option reserve (b)	210,295	210,295
	490,195	418,428

(a) Share based payments reserve	2018 Rights	2017 Rights	2018 $	2017 $
(i) Performance rights	-	95	-	48,633

Movements in performance rights

Date	Details	Number of rights	$
1/07/2017	Opening balance	95	48,633
30/06/2018	(Credit) recognised in 2018	(95)	(48,633)
30/06/2018	Closing balance	-	-

	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 15

(ii) Share based payments to:	2018 Options	2017 Options	2018 $	2017 $
(a) Consultants – listed options	-	1,500,000	-	-
(b) Consultants – unlisted options	1,000,000	500,000	159,500	159,500

Movements in share based payments to consultants: (a) – listed options

Date	Details	Number of Options	$
1/07/2017	Opening balance	1,500,000	-
31/03/2018	Exercise of options	(1,500,000)	-
30/06/2018	Closing balance	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

14. RESERVES (continued)

Date	Details	Number of Options	$
1/07/2016	Opening balance	-	-
31/12/2016	Issue of options to consultants	1,500,000	-
30/06/2017	Closing balance	1,500,000	-

Movements in share based payments to consultants: (b) –unlisted options

Date	Details	Number of Options	$
1/07/2017	Opening balance	500,000	159,500
8/03/2018	Issue of unlisted options*	500,000	-
30/06/2018	Closing balance	1,000,000	159,500

Date	Details	Number of Options	$
1/07/2016	Opening balance	-	-
31/05/2017	Issue of unlisted options*	500,000	159,500
30/06/2017	Closing balance	500,000	159,500

* refer to Note 13

		2018 Options	2017 Options	2018 $	2017 $
(iii) Employee share scheme					
	Employee unlisted options	1,750,000	-	120,400	-

Movements:

Date	Details	Number of Options	$
1/07/2017	Opening balance	-	-
30/11/2017	Issue of unlisted options	650,000	39,000
31/03/2018	Issue of unlisted options	1,100,000	81,400
30/06/2018	Closing balance	1,750,000	120,400

* Unlisted and issued to employees under an Employee Share Scheme

(b) Option reserve

	2018 Options	2017 Options	2018 $	2017 $
Total consolidated issued options – listed	-	17,231,856	210,295	210,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

14. RESERVES (CONTINUED)

Movements in options reserve – listed options

Date	Details	Number of options	$
1/07/2017	Opening balance	17,231,856	210,295
31/03/2018	Exercise of options	(17,231,856)	-
	Closing balance	-	210,295

During the year ended 30 June 2018, 17,231,856 options were exercised and converted into shares.

No options expired during the year ended 30 June 2018.

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

15. SHARE BASED PAYMENTS

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 assessed the probability of achieving the performance targets within the timeframe remaining.

50 “A” rights expired on 16 April 2017, 6 “B” and 24 “C” rights lapsed in the year ended 30 June 2017.

As a result of not achieving the performance targets within the 3 years of listing, the 19 remaining “B” rights and 76 remaining “C” rights have lapsed. The directors consider it necessary to write-back the share based payment expense in the year ended 30 June 2018. The amount of the adjustment is $48,633 and is shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a Share Based Payment Credit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

15. SHARE BASED PAYMENTS (continued)

The movements in the performance rights for the year ended 30 June 2018 is set out below:

Grant date	Expiry date if all targets achieved	Fair Value $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Converted during the year Number	Balance at end of the year Number	Value at grant date
27/10/2014	13/4/2019	0.20	-	-	-	-	-	571,429
27/10/2014	13/4/2019	0.20	19	-	19	-	-	285,714
27/10/2014	13/4/2020	0.20	76	-	76	-	-	1,142,857
Total			**95**	**-**	**95**	**-**	**-**	**2,000,000**

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	20	-	20	-	-	-	-
R Lipscombe	75	-	75	-	-	-	-
Total	95	-	95	-	-	-	-

16. ACCUMULATED LOSSES

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Opening balance	(4,743,589)	(3,827,114)
Loss for the year	(1,440,108)	(916,475)
Closing balance	(6,183,697)	(4,743,589)

17. FINANCIAL RISK MANAGEMENT

The Company and its subsidiaries (the Group) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

17. FINANCIAL RISK MANAGEMENT (continued)

The Group and the Company hold the following financial instruments:

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Financial assets		
Cash and cash equivalents	2,316,781	775,140
Trade and other receivables (a)	602,300	317,858
Investments	1,177,898	-
	4,096,979	1,092,998
Financial liabilities		
Trade and other payables (b)	(312,209)	(231,082)
Borrowings	(312,421)	(875,395)
	(624,630)	(1,106,477)

(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:

(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 2018 Consolidated			
Financial assets			
Cash and cash equivalents		1.15%	2,316,781
30 June 2017 Consolidated			
Financial assets			
Cash and cash equivalents		1.99%	775,140

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

17. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity

At 30 June 2018, 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 $3,600 lower / ($3,600) higher (2017 changes of 0.25% / 0.25%: $1,892 lower/ ($1,892) 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 2018		30 June 2017	
	USD	JPY	USD	JPY
Trade receivables	160,027	14	69,092	5,071

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	
	2018 $	2017 $	2018 $	2017 $
USD/AUD exchange rate - increase 5%	(9,400)	(4,365)	9,400	4,365
USD/AUD exchange rate – decrease 15%	29,580	1,067	(29,580)	(1,067)

(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 2018 $	Consolidated Entity 2017 $
Financial assets		
Cash and cash equivalents	2,316,781	775,140

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

17. FINANCIAL RISK MANAGEMENT (continued)

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 2018 $	Consolidated Entity 2017 $
Over 60 days	166,779	90,525

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.

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 2018	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	125,880	-	-	-	125,880	125,880
Borrowings	87,228	87,228	155,130	18,889	348,485	312,421
Total non-derivative	213,108	87,228	155,130	18,889	474,365	438,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

17. FINANCIAL RISK MANAGEMENT (continued)

Non-derivatives						
Trade payables	135,885	-	-	-	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

(ii) Financing arrangements

The Group has a $50,000 overdraft facility with its financial institution in place as at 30 June 2018.

(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.

18. CONSOLIDATED ENTITIES

			Equity holding		Cost of Company	
			2018	2017	2018	2017
Name of entity	**Class of share**	**Country of Incorporation**	**%**	**%**	**$**	**$**
Accounting Parent						
Proteomics International Pty Ltd		Australia	100	100	5,250,000	5,250,000
Legal Parent						
Proteomics International Laboratories Ltd	Ordinary	Australia	-		-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

19. REMUNERATION OF AUDITORS

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
(a) Audit services		
- BDO Audit (WA) Pty Ltd	36,637	35,408
(b) Non-audit services		
- BDO Corporate Finance	-	-
- BDO Taxation	-	-

No non-audit services have been provided by BDO during the year (2017: Nil).

20. COMMITMENTS

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Laboratory access fees		
Within one year	74,700	86,700
Later than one year but no later than five years	74,700	113,400
Later than five years	-	-
	149,400	200,100

The Company 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.

21. RELATED PARTIES

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
(a) Key management personnel (KMP) compensation		
Short-term employee benefits	298,308	269,047
Post-employment benefits	48,930	43,573
Share based payments (credit)	(48,633)	(222,597)
	298,605	90,023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

21. RELATED PARTIES (continued)

(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

Consultancy services were provided by Roger Moore for business development in the amount of $2,715 on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons (2017: nil).

The following loans where provided by Key Management Personnel during the year ended 30 June 2018:
(for further details refer to Note 10)

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Beginning of the year	366,392	441,891
Loans advanced	-	-
Loans repaid (ii)	(366,392)	(75,499)
End of year balance	-	366,392
Interest charged (i)	12,446	16,989
Interest paid	(7,328)	(28,354)

(i) Interest has been accrued and is in trade and other payables.
(ii) Loans were repaid to R Lipscombe and the LUK Trust.

No additional loans were provided by Key Management Personnel during the year ended 30 June 2018.

No transactions with Key Management Personnel for convertible notes occurred during the year ended 30 June 2018.

22. DIVIDENDS

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

23. CONTINGENT LIABILITIES

The Company is not aware of any material contingent liabilities for the year ended 30 June 2018.

24. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

25. EARNINGS PER SHARE

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
(loss) attributable to ordinary shareholders	(1,440,108)	(916,475)
Weighted average number of ordinary shares*	60,692,192	55,070,725
Balance at the beginning of the year	55,070,725	50,592,486
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
Effect of options exercised 5 February 2018	220,976	-
Effect of options exercised 15 February 2018	49,858	-
Effect of shares issued 5 March 2018	1,239,977	-
Effect of options exercised 8 March 2018	448,558	-
Effect of options exercised 23 March 2018	573,811	-
Effect of options exercised 29 March 2018	1,281,765	-
Effect of options exercised 6 April 2018	1,455,351	-
Effect of options exercised 16 April 2018	351,173	-
	60,692,192	55,070,725
Earnings per share	($0.02)	($0.02)

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

26. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 July 2018, Proteomics International announced that it had won a major analytical services contract to perform testing of a biosimilar allergic asthma drug for Dutch/Australian company BiosanaPharma. The contract is to conduct an analytical comparability study on production runs of the drug, and is Proteomics International's largest analytical services contract to date with a value of USD 260,000.

On 23 August 2018, the Company provided a market update on its diagnostics research and development – the Promarker™ pipeline, including the discovery of potential biomarkers for endometriosis and *Giardia*. This work is described in the Review of Operations (page 14).

Other than the above there have been no subsequent events which would have a material effect on the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2018

27. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Proteomics International Laboratories Ltd, as at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2018 $	2017 $
Current assets	7,350,622	4,617,576
Non-current assets	6,587,898	5,250,000
Total Assets	13,938,520	9,867,576
Current liabilities	72,766	67,337
Non-current liabilities	-	-
Total Liabilities	72,766	67,337
Issued Capital	15,247,197	10,812,346
Accumulated Losses	(1,871,638)	(1,430,535)
Reserves	490,195	418,428
Total Equity	13,865,754	9,800,239
Profit (Loss) for the year	(441,103)	29,080
Other comprehensive income / (loss) for the year	-	-
Total other comprehensive income / (Loss) for the year	(441,103)	29,080

Contingent liabilities of the parent entity

The Company is not aware of any material contingent liabilities for the year ended 30 June 2018.

Commitments of the parent entity

The Company does not have any on-going commitments.

28. INTERESTS IN OTHER ENTITIES

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

29. DEED OF CROSS GUARANTEE

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

30. 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 2018 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 2018, 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: 28th August 2018

Independent Auditor's Report

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Proteomics International Laboratories Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Proteomics International Laboratories Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 2018 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.

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.

Accounting for unlisted investments

Key audit matter	*How the matter was addressed in our audit*
During the financial year ended 30 June 2018, the Group purchased 10% of the share capital of CPR Pharma Services Pty Ltd. The carrying value of this unlisted investment is disclosed in notes 1(z) and 7 of the financial report. In accordance with Australian Accounting Standards, the unlisted investments do not have quoted market prices and their fair value cannot be reliably measured, and accordingly are recognised at cost. At the end of each reporting period, management are required to assess whether there is any objective evidence that the assets are impaired. Due to the quantum of these assets and the subjectivity involved in determining whether there is any objective evidence of impairment on these assets, we have determined that the carrying value of unlisted investments is a key audit matter.	Our procedures included, but were not limited to the following: • Reviewing the terms and conditions of the relevant agreements; • Reviewing management's assessment that there were no objective indicators of impairment for reasonableness; • Holding discussions with management to understand the business operations and performance of the unlisted investments, and whether this information is consistent with management's impairment assessment position; • Considering whether any other data exists which would constitute indicators of impairment; and • Assessing the adequacy of the related disclosures in Notes 1(z) and 7 of the financial report.

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 2018, 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_responsibilities/ar1.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 26 to 33 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Proteomics International Laboratories Limited, for the year ended 30 June 2018, 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

Glyn O'Brien

Director

Perth, 28 August 2018

Shareholder Information

Details of securities as at 21 August 2018:

Top holders

The 20 largest registered holders of fully paid ordinary shares as at 21 August 2018 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Richard John Lipscombe	10,074,614	12.58
2.	Richard John Lipscombe <Luk A/C>	8,186,590	10.22
3.	Xylo Pty Ltd <Parker Family A/C>	5,027,594	6.28
4.	John Sutherland Richardson Dunlop	3,855,188	4.81
5.	HSBC Custody Nominees (Australia) Limited	2,574,503	3.21
6.	Sparrow Holdings Pty Ltd <Sweet Super Fund A/C>	2,335,500	2.92
7.	Randolph Resources Pty Ltd	1,949,000	2.43
8.	Scintilla Strategic Investments Limited	1,800,000	2.25
9.	South Australia Life Science Advancement Partnership	1,615,810	2.02
10.	Darlene Valerie Gould	957,931	1.20
11.	Bjouxz Pty Ltd <The Loz Super Fund A/C>	750,000	0.94
12.	Patricia Marton	746,735	0.93
13.	BFM Superannuation Fund Pty Ltd	700,000	0.87
14.	Camberwell Gynaecology Clinic Pty Ltd <Skinner Super Fund A/C>	639,400	0.80
15.	Marie Joyce Bohringer	635,393	0.79
16.	Moore & Sotomi Investments Pty Ltd <Roger Moore Family A/C>	627,000	0.78
17.	Ocean Mist Pty Ltd <Waterford Super Fund A/C>	600,000	0.75
18.	Bowtrust Pty Ltd	578,848	0.72
19.	J A Botha Pty Ltd	578,847	0.72
20.	Mrs Mimi Epstein & Mr Ryan Epstein <Epstein Super Fund A/C>	540,621	0.67
		44,773,574	55.89

Distribution schedule

A distribution schedule of each class of equity security as at 21 August 2018

Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	80	14,809	0.02
1,001 - 5,000	151	478,391	0.60
5,001 - 10,000	126	1,105,666	1.38
10,001 - 100,000	381	13,998,193	17.47
100,001 - Over	113	64,501,812	80.53
Total	851	80,098,871	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	19,011,204
Mr John Sutherland R Dunlop	5,804,188
Xylo Pty Ltd <The Parker Family A/C>	5,027,594

Unlisted securities

Unlisted options

Class	Expiry Date	Exercise Price ($)	Number of Options	Number of holders
Consultant Options	17 July 2019	0.25	500,000	1
Consultant Options	8 March 2020	0.35	500,000	1
Employee Options	31 October 2019	0.30	650,000	4
Employee Options	31 May 2020	0.30	1,100,000	12

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1,961 as at 21 August 2018):

Holders	Units
100	45,078

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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