



Proteomics International

LABORATORIES LTD

ASX Release
25 October 2016

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Quarterly Business Update

MedTech company Proteomics International Laboratories Ltd (ASX: PIQ) (PILL) is pleased to provide the following update on its business activities for the three month period to 30 September 2016.

PILL has continued to progress the commercialisation of the company's lead diagnostic product PromarkerD while strengthening its revenue from analytical services. At the same time PILL has applied its disruptive proteomics technology platform to endometriosis and mesothelioma diagnostics, and the gastro-causing parasite *Giardia*.

Financial Highlights

Income from analytical services was strong with sales from the September quarter continuing their long-term growth rate of 30% year on year. August was a record month for the company with sales and licensing income of \$198,000, which will also flow into the next quarter.

Net cash burn for the quarter was almost neutral at \$30,000 and PILL continues to manage its cash flow prudently. Cash outflows did increase compared to the previous quarter due to additional year-end expenses, however, annual expenditure remains on budget. The R&D tax offset (received in September) continues to form an important component of the company's business model.

Operational Highlights

- **First commercialisation deal for PromarkerD:** Diabetic kidney disease test to be commercialised in Central America in a deal worth in excess of USD 1.5 million.
- **Diagnostics expanded to endometriosis and mesothelioma:** Biomarker discovery platform applied to areas of unmet medical need.
- **New director appointed:** Mr Roger Moore to bring key industry and sector experience to the Board.
- **R&D tax incentive boost:** More than \$500,000 in research and development rebate received.
- **Promarker platform applied to gastro-causing parasite:** *Giardia* collaboration aims to develop commercial diagnostic test.
- **Research report available:** SA Capital Ltd has initiated coverage of PIQ, and their report can be found on the company's website (investors/stock information).

First commercialisation deal for PromarkerD

PILL has signed an exclusive licence for its PromarkerD assay for the diagnosis of diabetic kidney disease in the Dominican Republic. The licence granted to Macrotech and Omics Global Solution will see the diagnostic kit manufactured in Puerto Rico, and paves the way for commercialisation in other markets including the United States, China and Japan.

Although the Dominican Republic has only 10.6 million people, the net present value of financial terms is in excess of USD 1.5M for the first nine years of the agreement. Manufacturing the kits in the US territory of Puerto Rico means they will fall under the umbrella of the US FDA guidelines, potentially acting as a stepping stone for commercialisation in the massive US market.

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Diagnostics expanded to endometriosis and mesothelioma

PILL has expanded its diagnostics portfolio to the detection of endometriosis and asbestos-related cancer mesothelioma. Using its disruptive proteomics technology platform, the company is searching for protein 'fingerprints' that can detect the two conditions with a simple blood test. The research employs PILL's proven Promarker platform, which has already been used to develop a predictive test for diabetic kidney disease, and could deliver results within 12 months.

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

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

New director appointed

Mr Roger Moore was appointed as a non-executive director of PILL, bringing key industry and sector experience to the Board as the company seeks to commercialise PromarkerD and expand its analytical services in Asia. Mr Moore has 40 years' experience in the international pharmaceutical industry, including almost 30 years as President of Novo Nordisk Japan.

Mr Moore established Novo Nordisk, the world's largest manufacturer of insulin and a global leader in diabetes care, in Japan in 1977, and from 2000 he was appointed Novo Nordisk's Senior Vice President, Japan and Oceania Region. He has also served as a member of the Senior Management Board, Novo Nordisk A/S.

R&D tax incentive boost

PILL received \$572,629 in research and development tax incentive for the 2015-16 financial year. The company was eligible for the Australian Government rebate after spending \$1,270,252 on R&D.

PILL's sustainable business model sees the company use revenue generated from analytical services to fund pioneering research into next generation diagnostic tests and drug discovery. PILL continues to invest heavily in its biomarker discovery program, the development and commercialisation of diabetic kidney disease test PromarkerD, and new fee-for-service methods.

Promarker platform applied to gastro-causing parasite

PILL has used its proprietary technology to map samples of the gastro-causing parasite *Giardia*, searching for protein 'fingerprints' that can distinguish between different strains. The proof-of-concept study was conducted with Murdoch University and a leading US veterinary company. This collaboration will now be extended with the aim to develop a commercial diagnostic test for *Giardia*, and a licence agreement is in place to ensure PILL receives a royalty stream from sales of any test.

PILL will conduct the development on a fee-for-service basis and with the support of a \$45,000 grant from the Department of Industry, Innovation and Science Entrepreneurs' Programme. The ultimate aim of the project is to find fingerprints for specific strains of *Giardia* in pets, and then identify if those strains can cross from animals to humans.

ENDS

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About Proteomics International Laboratories (PILL)

PILL (ASX: PIQ) is a medical technology company focused on proteomics – the industrial scale study of the structure and function of proteins. In the last few years, proteins have become the drug class of choice for the pharmaceutical industry because of their intimate role in biological systems. Thus proteomics technology is now playing a key role in understanding disease, from finding new diagnostic biomarkers to determining drug targets, and discovering new biopharmaceutical drugs.

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

- 1. Diagnostics:** Biomarkers of disease and personalised medicine - focus on diabetic kidney disease.
By 2020 the biomarkers market is estimated to double in size to \$45.6 billion, and the personalised medicine market is forecast to be worth over \$149 billion.
- 2. Analytical services:** Specialist contract research fee-for-service model – focus on biosimilars QC.
The global biosimilars market is expected to reach \$6.2 billion by 2020, almost trebling from its 2015 level, as it seeks to replicate the multiple billion dollar blockbuster drugs that are coming off patent.
- 3. Drug discovery:** Therapeutic peptide drug discovery - focus on painkillers and antibiotics.
The global peptide therapeutics market is currently estimated to be worth \$18 billion and is expected to increase at over 10% per year during 2016-2025.

In combination these areas offer, respectively, medium term products, near term cash flow, and blue sky potential by harnessing one complementary workflow centred on proteins.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Proteomics International Laboratories Ltd

ABN

78 169 979 971

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	240	240
1.2 Payments for		
(a) research and development	(389)	(389)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(31)	(31)
(d) leased assets	(25)	(25)
(e) staff costs	(241)	(241)
(f) administration and corporate costs	(161)	(161)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	572	572
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(30)	(30)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	910	910
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(30)	(30)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	880	880

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	484	162
5.2	Call deposits	396	748
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	880	910

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
63
-

Executive director remuneration	43
Non-executive directors' remuneration	20

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	381
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	33
9.4 Leased assets	25
9.5 Staff costs	112
9.6 Administration and corporate costs	80
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	631

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
Managing Director

Date: **25 October 2016**

Print name: **Dr Richard Lipscombe**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. The quarterly report is unaudited.
4. The following items are additional items in AASB 107 but have not been included in this report:
 - 20.1 reconciliation of cash flows arising from operating activities to operating profit or loss.
 - 51 itemised disclosure relating to maintaining operating capacity.
 - 52 itemised disclosure relating to segment reporting.