



Proteomics International

LABORATORIES LTD

ASX/Media Release

28 July 2016

ASX code: PIQ

Quarterly Business Update

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

Building on previous announcements PILL has strengthened its cash flow and reduced quarterly burn. Significant progress has been made towards the commercialisation of the Company's lead diagnostic product, PromarkerD, whilst analytical operations continue to expand.

Financial Highlights

Operating cash inflow for the June quarter more than doubled as compared to the previous quarter, whilst expenditure remained at similar levels and in line with budget. The net result was a reduction in cash burn to \$204,000. The growth in revenue has led to Analytical Services annual income increasing 33% year on year to \$0.81 million.

PILL has continued its focus on R&D and on the back of this expenditure anticipates an R&D Tax Incentive cash rebate of \$570,000 in the September quarter. At 30 June 2016 the Company has cash reserves of \$910,000.

Operational Highlights

- **PromarkerD development advances in China:** Chinese patent granted and funding secured for manufacture of diabetic kidney disease test kit.
- **Operations expanded in Indian biotech market:** Trade visit and newly appointed regional sales manager aid expansion into market forecast to be worth US\$100 billion by 2025.
- **Board changes:** Dr Bill Parker and Mr James Moses step down from the board.
- **Strong traction in analytical services:** 60% uplift in monthly revenues to \$100,000 at the start of the quarter support reduced cash burn.

PromarkerD development advances in China

PILL and its Chinese partner Newsummit Biopharma have secured \$100,000 in funding to initiate manufacture of a diagnostic test kit for PromarkerD in China. This unique test uses protein biomarkers in the blood to provide an early detection of the onset of diabetic kidney disease, a condition that affects approximately one-third of adult diabetics.

The funding is part of a \$1.3 million staged agreement with Newsummit Biopharma, which provides for manufacture of the unique antibody components, development and validation of an ELISA (Enzyme-linked immunosorbent assay) kit and registration with the Chinese Federal Drug Administration. The development pathway will run in parallel to PILL's own development activities, maximising the opportunity to develop a commercial test while also producing kits tailored for their respective markets.

Proteomics International Laboratories Ltd

ABN 78 169 979 971

Box 3008, Broadway, Nedlands, WA 6009, Australia

T: +61 8 9389 1992 | E: enquiries@proteomicsinternational.com | W: www.proteomicsinternational.com

A Chinese patent has also been granted for the use of PromarkerD as a predictive and diagnostic test for diabetic kidney disease, effective May 2016. This patent is valid until September 2031 and paves the way for commercialisation of PromarkerD in the massive Chinese market. The World Health Organisation estimates 120 million Chinese people have diabetes and are at risk of kidney disease.

Operations expanded in Indian biotech market

PILL conducted a trade visit to India in April to drive uptake of biosimilars analytics and biomarker services. The visit included meeting key decision makers in the biotech centres of Mumbai, Pune, Ahmedabad, Hyderabad and Bangalore, and a series of invitation only events in Mumbai, Hyderabad and Bangalore hosted in conjunction with the Australian Trade Commissioner.

India represents a rapidly growing global biotech hub forecast to be worth US\$100bn by 2025, and the company was delighted with the interest shown in its expanded, quality testing portfolio. PILL visited and reviewed product pipelines and testing requirements with over a dozen major biopharmaceutical companies across India, and it is anticipated that significant fee-for service work will flow from this marketing initiative. A full-time sales and marketing manager based in Delhi has also been appointed to develop sales on the subcontinent.

Board changes

Proteomics International founder Dr Bill Parker stepped down from his position as director to ensure the board is of a size and composition that is suited to a company at PIQ's stage of development. Dr Parker has made a long and significant scientific contribution to Proteomics International since 2001 and will continue to provide guidance to the management team in a consultancy role. Mr James Moses, who provided investor relations services during and after the company's IPO, has also resigned from the board due to the pressure of other professional commitments.

Strong traction in analytical services

PILL's analytical services stream generated record monthly revenues of \$100,000 in each of March and April (a 60% uplift on the previous monthly average). This growth was underpinned by new contracts to test biosimilars (generic protein drugs) as the sector seeks to replicate multi-billion dollar blockbuster biopharmaceutical drugs that are coming off patent.

PILL has one of the few global ISO 17025 laboratories accredited to accurately analyse the make-up of biosimilar drugs as being like-for-like with the brand name drugs they seek to replace. The company has won a series of recent biosimilar testing contracts including for an allergic asthma drug (Europe, A\$165,000), a multiple sclerosis drug (India, A\$92,000) and a tissue repair drug (Middle East, A\$40,000).

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For further information please contact:

Dr Richard Lipscombe
Managing Director
Proteomics International Laboratories Ltd
T: +61 8 9389 1992
E: enquiries@proteomicsinternational.com
www.proteomicsinternational.com

Greg Wood [Financial Advisor]
Managing Director
K S Capital
T: +61 416 076 377
E: g.wood@kscapital.com.au

About Proteomics International Laboratories (PILL)

PILL is an ASX listed (ASX: PIQ) life science company focused on the area of 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

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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 and peptides.

Today, biopharmaceuticals comprise 20% of the pharma market, generating global revenues of \$163 billion. Biopharma is growing at twice the rate of conventional pharma because biopharmaceuticals offer a better safety profile and an ability to treat previously untreatable conditions.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Proteomics International Laboratories Ltd

ACN

169 979 971

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	319	803
1.2 Payments for (a) staff costs	(98)	(368)
(b) advertising and marketing	(26)	(126)
(c) research and development	(319)	(1,345)
(d) leased assets	(28)	(104)
(e) other working capital	(56)	(393)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	34
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(2)	(8)
1.7 Other – R&D tax rebate	-	309
Net operating cash flows	(204)	(1,198)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(204)	(1,198)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
Net investing cash flows	-	-
1.14 Total operating and investing cash flows	(204)	(1,198)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	131
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Share issue costs	-	(28)
Net financing cash flows	-	103
Net increase (decrease) in cash held	(204)	(1,095)
1.21 Cash at beginning of quarter/year to date	1,114	2,005
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	910	910

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(116)
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Executive director remuneration (41)	
	Non-executive directors' remuneration (75)	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	162	-
4.2 Deposits at call	748	1,160
4.3 Bank overdraft	-	(46)
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	910	1, 114

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: **28 July 2016**
Managing Director

Print name: **Dr Richard Lipscombe**

Notes

1 Research and development represents those costs associated with R&D activities.

2 Preparation:

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.

The quarterly report is unaudited.

The definitions in, and provisions of, AASB 107: Cash Flow Statements apply to this report except for the paragraphs of the Standard set out below.

- 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.

+ See chapter 19 for defined terms.