



Proteomics International

LABORATORIES LTD

27 February 2020

The Manager
Market Announcements Office
Australian Securities Exchange

Dear Manager,

HALF-YEAR REPORT TO 31 DECEMBER 2019

In accordance with the ASX Listing Rules, attached are the following reports:

1. Appendix 4D – Half Year Report
2. Interim Financial Report.

It is recommended that the reports be read in conjunction with the Annual Report of Proteomics International Laboratories Ltd (ASX:PIQ) for the year ended 30 June 2019, together with any public announcements made by Proteomics in accordance with the continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001.

This announcement was authorised to be given to ASX by the Board of Directors of Proteomics International Laboratories Ltd.

Yours faithfully,

Karen Logan
Company Secretary

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

APPENDIX 4D
HALF-YEAR REPORT TO 31 DECEMBER 2019



PROTEOMICS INTERNATIONAL LABORATORIES LTD
ACN 169 979 971
and Controlled Entity

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019.

About Proteomics International Laboratories Ltd (PILL)

Proteomics International Laboratories Ltd (Proteomics International; ASX: PIQ), a medical technology company at the forefront of predictive diagnostics and bio-analytical services. Proteomics International's business model centres on the commercialisation of the company's world-leading predictive test for diabetic kidney disease, PromarkerD. The Company offsets the cash burn from research and development and product development through provision of specialist analytical services across the globe.

www.proteomicsinternational.com

FOR FURTHER INFORMATION PLEASE CONTACT

Dr Richard Lipscombe, *Managing Director*: +61 8 9389 1992
Karen Logan, *Company Secretary*: +61 8 9321 0715
Dirk van Dissel, *Investor Relations*: +61 8 8232 8800



Appendix 4D

Half Year Report for the six months to 31 December 2019

PROTEOMICS INTERNATIONAL LABORATORIES LTD
ACN 169 979 971

1. Reporting period

Report for the half-year ended	31 December 2019
Previous corresponding period is the half-year ended	31 December 2018

2. Results for announcement to the market

	Change	\$'000
Revenues from operating and other activities (<i>item 2.1</i>)	Up 9% to	942
(Loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down 33% to	(1,202)
Net (loss) for the period attributable to members (<i>item 2.3</i>)	Down 33% to	(1,202)
Dividends being proposed or declared for the period (<i>item 2.4</i>)	n/a	Nil
Dividend record date (<i>item 2.5</i>)	n/a	n/a

Explanation

There was a net cash inflow for the half year of \$943,852 (2018 half year: net cash inflow \$608,678), due largely to the receipts of the R&D Tax Incentive of \$1.1 million and \$3 million share placement (before transaction costs).

This provided the Company with capital to upgrade laboratory equipment, resulting in net cash outflow from investing activities for the half year of \$1,346,074 (2018 half year: net cash inflow \$902,735).

The Consolidated Statement of Cash Flows shows a net cash outflow from operating activities over the period of \$435,596 (2018: net cash outflow was \$284,971).

At 31 December 2019, the Company had cash reserves of \$2.45 million and current receivables of \$1.54 million.

Operating expenditure was in-line with budget and consistent with FY19.

Please refer to the Directors' Report within the attached Financial Report for a detailed explanation of the figures reported above (*item 2.6*)

3. Net tangible assets per security (<i>item 3</i>)	31 December 2019	31 December 2018
Net tangible asset backing per ordinary security	5.1 cents	5.6 cents

4. Entities over which control has been gained or lost (*item 4*): Not applicable

5. Dividends or Distributions (*items 5 & 6*): Not applicable

6. Associates and Joint venture entities (*item 7*): Not applicable

7. Foreign entities accounting standard (*item 8*): Not applicable

8. Independent review of the financial report (*item 9*):

The financial information provided in the Appendix 4D should be read in conjunction with the half-year financial statements and Directors' report (attached), which has been prepared in accordance with Australian Accounting Standards.



PROTEOMICS INTERNATIONAL LABORATORIES LTD
ACN: 169 979 971

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2019****TABLE OF CONTENTS**

Directors' Report	2
Auditor's Independence Declaration	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9
Directors' Declaration	20
Independent Auditor's Review Report	21

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Proteomics International Laboratories Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The Directors present the financial report for the Group for the half-year ended 31 December 2019.

Director Details

The names of the Directors in office at any time during or since the end of the half-year are:

Name	Position
Mr Terry Sweet	Non-Executive Chairman
Dr Richard Lipscombe	Managing Director
Mr Ian Roger Moore	Non-Executive Director
Mr Paul House	Non-Executive Director

REVIEW OF OPERATIONS

The six months to December 2019 saw Proteomics International's principal activities fall into three key areas:

- (i) Commercialisation of PromarkerD,
- (ii) R&D for new diagnostic tests, and
- (iii) Analytical services on a commercial basis.

To implement this strategy, Proteomics International's business model is to focus on the commercialisation of PromarkerD whilst using its 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 revenue, coupled with the R&D tax rebate. This model continues to make optimum use of the Company's resources.

Significant milestones have been achieved in the commercialisation of PromarkerD, including:

- Launch in Europe of PromarkerD (MS), the mass spectrometry version of the Company's predictive test for diabetic kidney disease,
- CE Mark for both PromarkerD (MS) and the risk calculator software algorithm, PromarkerD Hub,
- Completion of the immunoassay version of PromarkerD, including both stability testing and its cross validation against the proven PromarkerD (MS) platform.

Proteomics International raised \$3 million (before transaction costs) in a heavily oversubscribed placement and received \$1.1 million in R&D tax rebate. This significant strengthening of the Company's balance sheet is providing capital for the ongoing commercialisation of PromarkerD, upgraded laboratory instruments, and expanding the diagnostic products pipeline.

Proteomics International also joined forces with Bioplatforms Australia and the University of Western Australia to launch a cutting-edge proteomics facility to explore biological markers affecting medicine, agriculture, the environment and marine world. The partners will co-invest A\$4.4m over the next four years in the expanded Western Australian Proteomics Facility.

At 31 December 2019 the company had cash reserves of \$2.45 million and current receivables of \$1.54 million.

OPERATING RESULTS

Revenue

Consolidated revenue from continuing operations, grants and other income for the six months to 31 December 2019 was \$941,800 (31 December 2018: \$864,198) an increase of 9%.

Expenditure

Consolidated expenses for the six months to 31 December 2019 totaled \$2,150,879 (31 December 2018: \$2,662,985) a decrease of 19% and remained in-line with budget.

Net position

The Company reported a loss from continuing operations for the six months to 31 December 2019 of \$1,201,550 (31 December 2018 loss: \$1,780,108).

Net cash flow

Net cash outflow from operating activities over the period was \$435,596 (2018 net cash outflow \$284,971). Net cash outflow from investing activities was \$1,346,074 (2018: net cash inflow \$902,735), with \$1,346,074 spent on capital equipment during the period (2018: \$nil). There was a net cash inflow for the half year of \$943,852 (2018: net cash inflow \$608,678).

Cash and cash equivalents amounted to \$2,455,282 as at 31 December 2019 – with restricted cash of \$163,681 and receivables of \$1,535,974 totaling \$4,154,937 (30 June 2019: cash and cash equivalents was \$1,511,430 with restricted cash of \$163,681 and receivables of \$501,395 totaling \$2,176,506).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the Group's state of affairs during or since the end of the reporting period.

EVENTS OCCURRING AFTER REPORTING PERIOD

Proteomics International has secured CE Mark registration in Europe for the PromarkerD Hub as an IVD medical device (in vitro diagnostic). The CE Mark provides a significant step for Proteomics International to license and sell PromarkerD throughout the European Union [ASX: 14 January].

Other than that outlined above, there has been no other matter or circumstance which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2019, of the consolidated entity,
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2019, of the consolidated group.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Directors.



Terry Sweet
Chairman

Perth, Western Australia on 27th day of February 2020

**DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF PROTEOMICS
INTERNATIONAL LABORATORIES LTD**

As lead auditor for the review of Proteomics International Laboratories Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

		Half-Year	
	Note	31 December 2019 \$	31 December 2018 \$
Revenue from continuing operations			
- Services	1(b),1(c)	925,060	858,818
Other Income			
- Grant and other income		16,740	5,380
- Interest income		7,529	18,679
Employment and labour expenses		(997,628)	(889,093)
Share based payment expense		-	(426,516)
Depreciation expense		(181,610)	(92,855)
Intellectual property maintenance expenses		(40,669)	(61,699)
Interest expense		(8,270)	(15,527)
Interest expense - lease liabilities		(5,392)	-
Laboratory supplies		(271,483)	(219,991)
Professional fees		(232,660)	(266,403)
Travel and marketing expenses		(43,878)	(80,036)
Laboratory access fees		(76,307)	(67,204)
Realised loss in foreign currency translation		(7)	(1,903)
Loss on sale of Investment		-	(249,499)
Other expenses		(292,975)	(292,259)
(Loss) before income tax		(1,201,550)	(1,780,108)
Income tax (expense) / benefit		-	-
(Loss) after income tax from continuing operations		(1,201,550)	(1,780,108)
Total comprehensive (loss) attributable to equity holders of Proteomics International Laboratories Ltd		(1,201,550)	(1,780,108)
Basic (loss) per share for the half-year attributable to the members of Proteomics International Laboratories Ltd		(\$0.01)	(\$0.02)
Diluted loss per share		N/A	N/A

The 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 31 DECEMBER 2019

		31 December 2019	30 June 2019
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	2,455,282	1,511,430
Trade and other receivables	4	1,535,974	501,395
Other assets	5	239,185	1,229,700
TOTAL CURRENT ASSETS		<u>4,230,441</u>	<u>3,242,525</u>
NON-CURRENT ASSETS:			
Property, plant & equipment	6	1,415,496	213,677
Other assets	5	-	163,681
Right-of-use assets	12	159,781	-
Intangible assets		1,012	1,012
TOTAL NON-CURRENT ASSETS		<u>1,576,289</u>	<u>378,370</u>
TOTAL ASSETS		<u>5,806,730</u>	<u>3,620,895</u>
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables	7	396,370	303,064
Borrowings	9	-	146,591
Lease liabilities	13	61,310	-
Provisions	8	76,685	99,424
TOTAL CURRENT LIABILITIES		<u>534,365</u>	<u>549,079</u>
NON-CURRENT LIABILITIES:			
Trade and other payables	7	385,024	-
Borrowings	9	-	18,330
Lease liabilities	13	101,419	-
Provisions	8	76,320	67,184
TOTAL NON-CURRENT LIABILITIES		<u>562,763</u>	<u>85,514</u>
TOTAL LIABILITIES		<u>1,097,128</u>	<u>634,593</u>
NET ASSETS		<u>4,709,602</u>	<u>2,986,302</u>
EQUITY			
Issued capital	10	13,133,494	10,537,267
Reserves		1,041,630	713,007
Accumulated losses		(9,465,522)	(8,263,972)
TOTAL EQUITY		<u>4,709,602</u>	<u>2,986,302</u>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital Ordinary \$	Reserves \$	(Accumulated Losses) \$	Total Equity \$
Balance as at 1 July 2019	10,537,267	713,007	(8,263,972)	2,986,302
Loss for the period	-	-	(1,201,550)	(1,201,550)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(1,201,550)	(1,201,550)
Transactions with Equity Holders in their capacity as Equity Holders				
Equity Issued net of share issue costs	2,530,649	-	-	2,530,649
Conversion of Options	65,578	-	-	65,578
Share based payments expense	-	328,623	-	328,623
	2,596,227	328,623	-	2,924,850
Balance as at 31 December 2019	13,133,494	1,041,630	(9,465,522)	4,709,602
Balance as at 1 July 2018	10,369,887	490,195	(6,183,697)	4,676,385
Loss for the period	-	-	(1,780,108)	(1,780,108)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(1,780,108)	(1,780,108)
Transactions with Equity Holders in their capacity as Equity Holders				
Equity Issued net of share issue costs	37,615	-	-	37,615
Conversion of Options	25,000	-	-	25,000
Share based payments expense	-	426,516	-	426,516
	62,615	426,516	-	489,131
Balance as at 31 December 2018	10,432,502	916,711	(7,963,805)	3,385,408

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Half-Year
	31 December
	2019
	2018
	\$
	\$
Cash flows from operating activities	
Receipts from customers and other income	542,766
Payments to suppliers and employees	(2,102,790)
Interest paid	(13,662)
Interest received	7,529
Withholding tax paid in overseas locations	(4,101)
Research and Development tax incentive	1,134,662
Net cash (outflow) from operating activities	(435,596)
Cash flows from investing activities	
Payment for property, plant and equipment	(1,346,074)
Proceeds from sale of investment	-
Net cash inflow (outflow) from investing activities	(1,346,074)
Cash flows from financing activities	
Repayment of borrowings	(164,931)
Repayment of lease liabilities	(34,400)
Proceeds from issue of shares	2,859,272
Proceeds from the conversion of options	65,578
Net cash inflow (outflow) from financing activities	(9,086)
Cash and cash equivalents at beginning	1,511,430
Net increase in cash and cash equivalents	943,852
Cash and cash equivalents at 31 December	2,455,282
	2,316,781
	608,678
	2,925,459

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report of Proteomics International Laboratories Ltd and its subsidiary (the Company) was authorised for issue in accordance with a resolution of the Directors on the 27th day of February 2020. This half-year financial report does not include all the information and disclosures required in the annual financial report, and therefore should be read in conjunction with the annual financial report for the year ended 30 June 2019.

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

(a) Basis of preparation

The principle accounting policies adopted for the preparation of these half-year financial statements are set out below.

(i) Statement of compliance

The consolidated financial report of the Company for the six months ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

This half-year financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, and Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

The Company is a for profit Group for the purpose of preparing the half-year financial statements.

The half-year financial statements of the Company also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) Basis of measurement

The half-year financial report has been prepared on an accruals basis and are based on historical cost other than investments which are recorded at fair value.

The half-year financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

(b) Revenue recognition and other income

Revenue is recognised when or as the Company transfers control of goods or services to a customer at the amount to which the Company expects to be entitled.

The following is a description of the principal activities from which the Company generates its revenue and other income:

(i) Grant and equivalent/other income including the Research & Development Tax incentive

Grants and other income are recognised at their fair value where it is probable that the grant and other income will be received. The Company is eligible to claim, and receive, a tax credit for its R&D activities.

The R&D tax credit received in the six months to December 2019 amounted to \$1,134,662.

(ii) Revenue from contracts with customers – Commercialisation of PromarkerD

Revenue from commercialisation of PromarkerD is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product or service to a customer.

(iii) Revenue from contracts with customers – Sales of Analytical and Other Services

Revenue from the provision of analytical and other services is recognised in the accounting period in which the services are rendered.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If services rendered by the company exceed the payment received, a contract asset is recognised. If the payment received exceeds the services rendered, a contract liability is recognised.

In some circumstances, analytical and other services are bundled together with provision of sales of services and products. The sale of products is a separate performance obligation and transaction price is allocated to the products and services on a relative stand-alone basis.

(c) Joint arrangements

The group entered into a collaborative joint arrangement with the University of Western Australia ('UWA') during the period for the expansion and operation of the Western Australian Proteomics Facility.

(i) Significant judgement: classification of joint arrangements

The collaboration arrangement is not structured through a separate entity. Both parties to the arrangement will operate independently with each party maintaining independent rights to the assets of the collaboration and liabilities resulting from activities under the arrangement will be several, and not joint or joint and several. The arrangement has therefore been classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses in accordance with AASB 11 Joint Arrangements.

(d) 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.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

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

(e) Share based payments

Share-based payments compensation benefits are provided to employees, directors and consultants via the issues of shares and/or options.

The fair value of the shares and options granted as compensation benefits are recognised as a share based payments expense in the statement of profit or loss and other comprehensive income with a corresponding increase in the equity in the statement of financial position.

Share-based payments compensation benefits are provided to consultants for capital raising via the issues of shares and/or options.

The fair value of the shares and options granted in relation to capital raisings are recognised as a share based payments expense and offset against equity in the statement of financial position as a transaction cost.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) New Accounting Standards and Interpretations adopted

The following Accounting Standards and Interpretations are most relevant to the Company and adopted for the period ended 31 December 2019:

AASB 16 Leases

AASB 16 has been adopted from 1 July 2019. The standard replaces AASB 117 "Leases" and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of profit or loss and other comprehensive income.

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in depreciation expense) and an interest expense on the recognised lease liabilities (included in interest expense).

For classification within the statement of cash flows, the interest portion is included in interest paid and the principal portion of the lease payments are separately disclosed as repayment of lease liabilities.

Impact of Adoption

AASB 16 was adopted from 1 July 2019. There were no operating leases at 30 June 2019. The lease recognised in the period to 31 December 2019 is a new lease, and therefore no adjustment to opening accumulated losses was necessary.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the net present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the lease term or future lease payments arising from a change in an index or rate used. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 2: DIVIDENDS

Since 30 June 2019 no dividend has been paid or declared (31 December 2018: Nil)

	31 December 2019 \$	30 June 2019 \$
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash at bank	2,405,282	461,430
Deposits at call	<u>50,000</u>	<u>1,050,000</u>
Total cash and cash equivalents	<u>2,455,282</u>	<u>1,511,430</u>

NOTE 4: TRADE AND OTHER RECEIVABLES

Trade receivables	1,444,738	464,922
Other receivables	<u>91,236</u>	<u>36,473</u>
Total trade and other receivables	<u>1,535,974</u>	<u>501,395</u>

(a) Classification of trade and other receivables

Trade receivables 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.

(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.

(c) The Company has adopted the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit loss is deemed to be \$nil (30 June 2019 \$nil).

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

	31 December 2019 \$	30 June 2019 \$
NOTE 5: OTHER ASSETS		
Current:		
Research and development tax incentive	-	1,139,403
Export Market Development Grant	-	54,749
Security Deposit – equipment leases (see Note 9)	163,681	-
Unsecured Loans (i)	45,000	-
Prepayments (ii)	<u>30,504</u>	<u>35,548</u>
Total	<u>239,185</u>	<u>1,229,700</u>
Non-Current:		
Security Deposit - equipment leases (see Note 9)	<u>-</u>	<u>163,681</u>
Total	<u>-</u>	<u>163,681</u>

(i) unsecured loans to selected employees dated 31 October 2019 and are repayable within 9 months.

(ii) comprises prepaid insurance and travel/conference costs.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

At cost (including previously capitalised finance leases)	2,195,852	844,379
Accumulated depreciation	<u>(780,356)</u>	<u>(630,702)</u>
Closing Net Book Value	<u>1,415,496</u>	<u>213,677</u>
Reconciliation:		
Opening net book value	213,677	363,979
Additions	1,351,473	37,991
Depreciation charge	<u>(149,654)</u>	<u>(188,293)</u>
Closing Net Book Value	<u>1,415,496</u>	<u>213,677</u>

NOTE 7: TRADE AND OTHER PAYABLES

Current:		
Trade payables	118,725	224,757
Other payables	133,153	71,447
Contract Liability – refer Note 1(b), 1(c)	44,051	6,860
Deferred Grant Income – refer Note 1(b), 1(c)	<u>100,441</u>	<u>-</u>
Total trade and other payables	<u>396,370</u>	<u>303,064</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

	31 December 2019 \$	30 June 2019 \$
NOTE 7: TRADE AND OTHER PAYABLES (continued)		
Non-current:		
Deferred Grant Income – refer Note 1(b), 1(c)	385,024	-
Total trade and other payables	385,024	-

(a) Classification of trade and other payables

Trade payables are unsecured and are usually paid within 60 days of recognition.
The trade payables are therefore classified as current.

(b) Fair value of trade and other payables

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

NOTE 8: PROVISIONS

Current:

Employee benefits – annual leave	76,685	99,424
----------------------------------	--------	--------

Non-Current:

Employee benefits – long service leave	76,320	67,184
--	--------	--------

NOTE 9: BORROWINGS

Current:

Finance leases	-	146,591
----------------	---	---------

Non-Current:

Finance leases	-	18,330
----------------	---	--------

Terms of the Finance Leases:

The Company leased laboratory equipment under finance lease agreements.
The security deposit held by the bank over this equipment is due to be released back into the Company's cash flow.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 10: ISSUED CAPITAL

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
Ordinary Shares	91,880,875	80,686,965	13,133,494	10,537,267

Movements in share capital

Date	Details	Number of Shares	\$
1/07/2019	Opening balance	80,686,965	10,537,267
1/10/2019	Issue of shares (i)	110,770	36,000
31/10/2019	Exercise of options (ii)	225,000	65,578
25/11/2019	Issue of shares (iii)	10,858,140	3,040,279
	Less: Transaction costs		(545,630)
31/12/2019	Closing balance	91,880,875	13,133,494

- (i) Issued to Director Paul House in lieu of cash payment for director's fees pursuant to the Director Fee Plan approved by the shareholders.
- (ii) Employees exercised unquoted employee options pursuant to an Employee Incentive Option Plan.
- (iii) Issued following placement to new and existing institutional, sophisticated and professional investors.

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.

NOTE 11: OPTIONS

(a) Options - Issued

	31 December 2019 Number of Options	30 June 2019 Number of Options
Options exercisable at \$0.25 each	-	25,000
Options exercisable at \$0.30 each	1,100,000	1,750,000
Options exercisable at \$0.35 each	500,000	500,000
Options exercisable at \$0.50 each	400,000	400,000
Options exercisable at \$0.67 each	400,000	400,000
Total issued options	2,400,000	3,075,000

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 11: OPTIONS (continued)

Movements in options issued

Date	Details	Average exercise price	Number of options
1/07/2019	Opening balance	\$0.26	3,075,000
17/07/2019	Options lapsed (i)	\$0.25	(25,000)
31/10/2019	Exercise of options (ii)	\$0.30	(225,000)
31/10/2019	Options lapsed (ii)	\$0.30	(425,000)
31/12/2019	Closing balance	\$0.29	2,400,000

Issued options outstanding as at 31 December 2019 have the following expiry date and exercise price:

Grant Date	Expiry Date	Exercise Price	No. Options
08/03/2018 (i)	08/03/2020	\$0.35	500,000
22/05/2018 (ii)	31/05/2020	\$0.30	1,100,000
21/11/2018 (iii)	22/11/2021	\$0.50	400,000
21/11/2018 (iv)	22/11/2022	\$0.67	400,000

- (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 for nil consideration under an Employee Incentive Option Plan.
- (iii) Unlisted – Director A options issued to Directors - Terry Sweet, Ian Roger Moore and Paul House – for nil consideration and issued as a reward and incentive.
- (iv) Unlisted – Director B options issued to Directors - Terry Sweet, Ian Roger Moore and Paul House – for nil consideration and issued as a reward and incentive.

(a) Options - Unissued

	31 December 2019 Number of Options	30 June 2019 Number of Options
Options exercisable at \$0.50 each	500,000	500,000
Options exercisable at \$0.50 each	1,250,000	1,250,000
Options exercisable at \$0.50 each	3,040,279	-
Total Unissued options	4,790,279	1,750,000

Unissued options outstanding as at 31 December 2019 have the following expiry date and exercise price:

Grant Date	Expiry Date	Exercise Price	No. Options
13/11/2018	14/11/2021	\$0.50	500,000
13/11/2018	14/11/2021	\$0.50	1,250,000
15/11/2019 (i)	31/12/2022	\$0.50	3,040,279

- (i) Unlisted – issued to Alto Capital and Adelaide Equity Partners Limited, for nil consideration and being for corporate advisory services in relation to the share placement by the Company.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 11: OPTIONS (continued)

Fair Value of Corporate Advisory Options – Alto Capital and Adelaide Equity Partners Limited.

Alto Capital and Adelaide Equity Partners Limited acted as lead manager and corporate advisor respectively to the \$3.0 million share placement undertaken by the Company on 15 November 2019.

The issue of these options (Corporate Advisory Options) was announced to the ASX on 25 November 2019, and will be subject to shareholder approval at an extraordinary general meeting to be held in the 2020 calendar year.

As at the date of this report, the Corporate Advisory Options remain unissued, but have been valued as at 31 December 2019 to reflect the most accurate valuation estimate, as follows:

<u>Particulars</u>	<u>Alto Capital and Adelaide Equity Partners</u>
Number of corporate advisory options	3,040,279
Valuation date	31 December 2019
Expiry date	31 December 2022
Underlying share price used	\$0.27
Exercise price	\$0.50
Risk-free rate	0.77%
Volatility	85%
Dividend yield	nil
Valuation per Option	\$0.108

The value placed on these Corporate Advisory Options is \$328,623 and, as it represents a cost in relation to the capital raising, this share based payment expense is included in share issue costs in the period ended 31 December 2019.

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

NOTE 12: RIGHT-OF-USE ASSET

The Company entered into a facility licence agreement with the Harry Perkins Institute of Medical Research, whereby the Company was granted the right to occupy laboratory and office premises for a period of three years commencing 1 July 2019.

The Company has recognised this as a right-of-use asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

	31 December 2019 \$	30 June 2019 \$
Right-of-use asset	191,737	-
Accumulated depreciation	<u>(31,956)</u>	-
Total right-of-use asset	<u>159,781</u>	-

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 13: LEASE LIABILITY

The Company entered into a facility licence agreement with the Harry Perkins Institute of Medical Research, whereby the Company was granted the right to occupy laboratory and office premises for a period of three years commencing 1 July 2019.

The Company has recognised a lease liability as at 1 July 2019.

	31 December 2019 \$	30 June 2019 \$
Current:		
Lease liability	61,310	-
Non-Current:		
Lease liability	101,419	-

NOTE 14: SEGMENT INFORMATION

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.

NOTE 15: RELATED PARTIES

On 1 October 2019 the Company issued 110,770 fully paid ordinary shares to Paul House in lieu of his outstanding director fees, details of which are disclosed in the 30 June 2019 annual report.

NOTE 16: COMMITMENTS

In November 2019 the Company signed a collaboration agreement with Bioplatforms Australia and the University of Western Australia to launch an expanded proteomics facility in Western Australia. The agreement is for four years and the parties will co-invest A\$4.4m over this term with Proteomics International's contribution being \$1.25m [ASX: 26 November 2019].

All other commitments are consistent with those disclosed in the 30 June 2019 annual report.

NOTE 17: CONTINGENT LIABILITIES

The Company is not aware of any material contingent liabilities as at 31 December 2019.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 18: EVENTS OCCURRING AFTER REPORTING PERIOD

Proteomics International has secured CE Mark registration in Europe for the PromarkerD Hub as an IVD medical device (in vitro diagnostic). The CE Mark provides a significant step for Proteomics International to license and sell PromarkerD throughout the European Union [ASX: 14 January 2020].

Other than that outlined above, there has been no other matter or circumstance which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2019, of the Company,
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2019, of the Company.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes in accordance with the Corporations Act 2001:

1. Comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
2. Give a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Proteomics International Laboratories Ltd will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Managing Director and Chairman required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.



Terry Sweet
Chairman

Dated at Perth, Western Australia this 27th day of February 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Proteomics International Laboratories Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Proteomics International Laboratories Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to be 'Neil Smith', written over a small, faint BDO logo.

Neil Smith

Director

Perth, 27 February 2020