Proteome Systems Limited

Chairman's Address to Annual General Meeting

17 November 2006

Fellow shareholders,

As I reported in our annual report, the company has made further progress in 2006 towards implementing the strategy which we outlined to shareholders last year. This strategy involved discontinuing our technology manufacturing operations, focusing all our resources on our most prospective diagnostic and therapeutic programs, nurturing new sources of funding for those programs and streamlining our operations to reduce our monthly cash burn.

In the year to 30 June 2006, the company achieved operating efficiencies that reduced net operating cash outflows for the year to $8.7 million, down from $16.3 million in the previous year. The company continues to operate at a sustainably lower level of net costs.

In the past year, we have also increased collaboration and grant funding for our major research programs from both local and major global groups. Revenues attributable to our diagnostic and therapeutic programs were $5.1 million last year, up from $3.5 million the prior year. Overall, revenues rose from $5.5 million in 2005 to $7.0 in 2006.

With higher revenues and lower costs, our operating loss for the 2006 year was $10.2 million compared to $19.9 million last year. Our net operating loss included two non-cash items (impairment of technology assets – $1.1 million and assessed value of share-based remuneration and incentives – $1.6 million). Accordingly, the net cash outflow for the year was $8.7 million.

In the 2006 financial year, the company successfully raised a net of $9.6 million via a private placement of shares to local and international investors. Since the close of the financial year, in September 2006, the company raised further capital through private placement in the amount of approximately $3.8 million. Both of these issues were made at a share price of $0.30 per share.

The company now has the financial resources it needs at our current and expected burn rates for a further 12 months of operations during which time the board is confident that the company has good prospects of securing additional substantial funding support for its major programs.

At the close of our meeting, the chief executive officer, Stephen Porges, will make a presentation to update shareholders on the progress in our programs. Suffice to say that we have made good progress over the past year on our two most important diagnostic programs being our TB diagnostic program and our prostate cancer diagnostic program which we began earlier in 2006. Both these programs, if they result in effective diagnostic tests will, we believe, be of significant commercial value as both have significant worldwide commercial potential. Our annual report sets out a summary of our major diagnostic and therapeutic programs, and summarises the current status of each program. As you can see from the annual report, we are working with well regarded global partners on our programs.

In the year ahead, we will continue to remain tightly focused on our lead programs, but we are in active discussion with prospective partners to raise funds to widen our research programs, on a selective basis, to disease groups related to our existing programs. We recently announced we had reached the final milestone under our existing agreement to support our TB program with the Geneva based Foundation for Innovative New Diagnostics (FIND). Both parties remain committed to this arrangement and we continue to enjoy FIND'S support. We are in discussions to formalise the next stage of our collaboration for finalisation of a prototype product. We are also well advanced in negotiations with several potential commercial partners for our TB test.

We have continued our efforts to divest or partner our technology business. We have received a number of expressions of interest to acquire or partner our technology products. We are currently evaluating these with a view to achieving the best return for the intellectual property and know-how which underpins this product range. Meanwhile, our ongoing expenditure on this business is minimal. The recent co-marketing for our GlycomIQ technology with Agilent Technologies is an example of the types of partnerships with leading organisations we are seeking to secure for these products.

With our change of focus for our technology business, Dr Andrew Gooley, our Chief Scientific Officer, whose contribution has focused on our technology business, has taken a position with one of our technology partners as Head of Research and Development. I would like to acknowledge the valuable contribution Andrew has made to the business where his talent for technical innovation led to the development of several award winning technology products. Andrew will, however, maintain an ongoing relationship with the company as a scientific advisor. We are also pleased to announce the appointment of Dr Barry Kreiswirth, Director of the US Public Health Research Institute's Tuberculosis Center, as a scientific advisor to our TB program. Dr. Kreiswirth is widely regarded as a world expert on TB.

On behalf of shareholders, I would like to thank our CEO and the company's executive team, together with all of our employees for their dedication and effort over the past year. Stephen, Jenny and Lisa have all worked very hard as a team to carry the company forward over the past year. We have also welcomed the addition of Jaime Pinto to the team, who has recently assumed the role of Chief Financial Officer after having served as financial controller for 12 months. I would like to thank Andrew Blunden who has filled the CFO role over the past 18 months in a consulting capacity pending Jaime's promotion.

I would also like to thank my board colleagues for their continued contribution and dedication over the past year.

We move into 2007 with a clearly focused corporate strategy, and a very clear sense of our corporate strengths and direction. We are looking forward to the successful achievement of important program milestones which will build the value of our company.

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