



**ABN 35 094 006 023**

# **Annual Report**

# **2020**



**Pitney Pharmaceuticals**  
**Pty Limited**



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## **CORPORATE DIRECTORY**

### **PRINCIPAL PLACE OF BUSINESS**

PharmAust Limited  
Suite 116,  
1 Kyle Way  
Claremont, Western Australia 6010  
Tel +61 (8) 9202 6814 Fax +61 (8) 9467 6111  
[www.pharmaust.com](http://www.pharmaust.com)  
**ASX CODE:** PAA

Epichem Pty Ltd  
Suite 5, 3 Brodie-Hall Drive  
Bentley WA 6102

### **REGISTERED OFFICE**

Suite 116, 1 Kyle Way  
Claremont, Western Australia 6010  
Tel +61 (8) 9202 6814 Fax +61 (8) 9467 6111

### **DIRECTORS**

Dr Roger Aston  
Mr Robert Bishop  
Mr Sam Wright  
Mr Neville Bassett

### **COMPANY SECRETARY**

Mr Sam Wright

### **SHARE REGISTRY**

Computershare Investor Services Pty Limited  
Level 11, 172 St George's Terrace  
Perth, Western Australia 6000

### **AUDITORS**

RSM Australia Partners  
2 The Esplanade  
Perth, Western Australia 6000

### **SOLICITORS**

Fairweather Corporate Lawyers  
595 Stirling Highway  
Cottesloe, Western Australia 6011

### **STOCK EXCHANGE**

Australian Securities Exchange  
Central Park  
152-158 St Georges Terrace  
Perth, Western Australia 6000

# DIRECTORS' REPORT

Your Directors present their report on the Company and the entities it controlled for the financial year ended 30 June 2020.

## Directors

The following persons held office as directors of PharmAust Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Roger Aston	Executive Chairman
Mr Robert Bishop	Executive Director
Mr Sam Wright	Non-Executive Director & Company Secretary
Mr Neville Bassett	Non-Executive Director

## Principal Activities

The principal continuing activities constituted by PharmAust Limited and the entities it controlled during the year were to develop its own drug discovery intellectual property for the treatment of different types of cancers in humans and animals, as well as providing highly specialised medicinal and synthetic chemistry services on a contract basis to clients.

## Operating Results

The results of the consolidated entity for the year ended 30 June 2020 was a loss, after income tax expense of \$1,361,990 (2019: loss of \$1,551,222).

## Financial Position

The net assets of the consolidated entity were \$8,526,269 as at 30 June 2020 (2019: \$7,455,880).

## Dividends

Since the end of the financial year, no dividend has been paid, declared or recommended.

## Review of Operations

### PITNEY PHARMACEUTICALS PTY LIMITED – 100% OWNED SUBSIDIARY

PharmAust Limited is primarily focused on developing cancer therapeutics for humans and canines. PharmAust's lead molecule for this purpose is monepantel (MPL). MPL is a veterinary drug registered for use by a major pharmaceutical company as a wormicide in many global jurisdictions. PharmAust discovered independently that MPL interacts in a previously unrecognized "off-target" fashion with the mTOR (mechanistic Target Of Rapamycin) pathway, an important regulatory pathway in mammalian cells. It is apparent that molecules such as MPL that target the mTOR pathway have relevant therapeutic value in a wide range of diseases.

PharmAust's wholly-owned subsidiary Pitney Pharmaceuticals Pty Ltd owns a number of granted patents offering protection for the use of MPL in cancer therapy and providing cover for the use of MPL in neurodegenerative diseases such as Parkinson's Disease and Alzheimer's Disease. Pitney has further recently submitted novel patents to cover the use of MPL in the treatment of COVID-19 and other related viral infections. The fact that MPL is already approved for use in animals in a number of major jurisdictions (EU/UK, Australia) means that the development process for PharmAust is simpler and cheaper than it would be if MPL were a new API (Active Pharmaceutical Ingredient).

In line with its strategic objectives, PharmAust signed an agreement with UNSW-NSI, the commercial arm of the University of NSW to acquire all the rights to MPL. PharmAust is therefore in a strong position to license and co-develop MPL with third parties and co-development partners. PharmAust further signed an agreement with Nihon Nohyaku, the original MPL developer, to acquire the rights to a suite of closely related MPL analogues. PharmAust's additional wholly-owned subsidiary Epichem Pty Ltd, a fine chemicals manufacturer, also independently created through its medicinal chemistry arm an alternative and complementary MPL analogue suite. The patent rights to MPL combined with the patent rights to the Nihon Nohyaku and Epichem MPL analogue suites place PharmAust in an unparalleled position to commercialise outcomes of mTOR pathway inhibition by this drug class in cancer, COVID-19 and neurodegeneration.

In order to further the development of its products and add value for shareholders, PharmAust changed the original liquid monepantel formula to a novel monepantel tablet formula to facilitate administration to both dogs and humans.

## DIRECTORS' REPORT (Cont.)

Achievements during the 2019 - 2020 financial year include:

1. Receipt of an MPL tablet Phase I canine pharmacokinetic and toxicology report from a major Contract Research Organisation in the USA. The report covered studies examining single and repeat high and low dose monepantel tablet administration to healthy Beagle dogs. In consideration with the toxicology data supplied by the Vet Major, these studies enabled dosing selection for the Phase II trial in pet owners' dogs with cancer.
2. Commencement and completion of the PharmAust Phase II clinical trial in pet owners' dogs with cancer. PharmAust demonstrated anti-cancer activity of MPL tablets, yet at a target dose higher than necessary. This enables the targeting of lower dosing in subsequent larger scale trials.
3. The execution of collaborative agreements with the University Veterinary Teaching Hospital Sydney (UVTHS), Western Australian Veterinary Emergency and Specialty (WAVES; Perth), the Animal Referral Hospital (ARH) Brisbane. These agreements enabled a national network of veterinary practices to participate in the trial and achieve a more rapid recruitment of pet dogs for the Phase II B cell lymphoma trial.
4. Acceptance of ethics applications through UVTHS, WAVES and ARH Brisbane for the Phase II trial in pet owners' dogs with cancer for trial commencement.
5. Awarding to PharmAust of Research Licenses and Accreditation to undertake research by the Department of Primary Industries and Regional Development (Western Australia) and the Department of Agriculture and Fisheries (Queensland) to conduct the Phase II clinical trials in pet owners' dogs with cancer in those States. These licenses add to PharmAust's similar accreditation in New South Wales with the Department of Primary Industries.
6. Completion of the agreement with the University of Melbourne to appoint U-Vet as Phase II trial site lead and agreement on the Phase II trial protocol with U-Vet.
7. Commencement and completion of a second GMP MPL tablet manufacturing round with Catalent San Diego, facilitating supply to all five veterinary centres participating in the Phase II trial in pet owners' dogs with cancer.
8. Receipt of nine- and six-month stability shelf-life studies from Catalent San Diego of the first and second GMP MPL manufacturing rounds. These studies demonstrated a robust and repeatable high quality manufacturing program generating tablets of high quality, reproducibility and a long half-life.
9. Full characterization of MPL tablets produced to GMP standards by PharmAust's subsidiary Epichem. This work demonstrated all tablet constituents, even following prolonged storage, remain within the Centre for Veterinary Medicine's (the USA's Federal Drug Administration's veterinary arm) range specifications. This implies that the tablet would qualify for registration when subsequent Phase III trials will be undertaken.
10. The successful undertaking of further GMP tablet manufacturing optimization work that will further facilitate administration to human patients.
11. The submission of a manuscript to a peer-reviewed journal detailing PharmAust's Phase I trial in humans with cancer treated with MPL and conducted at the Royal Adelaide Hospital.
12. The identification of clinicians willing to conduct human clinical trials examining the effects of MPL against neurodegenerative diseases.
13. Continued discussions with clinicians willing to conduct human clinical trials examining the effects of MPL against cancer.
14. The preparation of 700 g of highly pure (>99% purity) reference grade MPL by PharmAust's subsidiary Epichem. This MPL will be used for future preclinical work as required by PharmAust.
15. Commencement of RNAseq work with the Associate Professor Doug Fairlie at the Olivia Newton John Cancer Research Institute. Preliminary data confirm MPL's safety in respect to non-cancer cells and supports findings that anti-cancer activity is related to autophagy and apoptosis pathways.
16. PharmAust entered into an Agreement with the research group of Professor Marc Pellegrini at the Walter and Eliza Hall Institute to study the effects of MPL upon preclinical models of SARS-CoV-2 (COVID-19) infections. Preliminary data has demonstrated that MPL inhibits SARS-CoV2 infectivity in non-human primate cells *in vitro*.
17. PharmAust received an Advance Finding Certificate from the Australian Tax Organisation covering selected Research and Development (R&D) activities conducted overseas. This means that specific R&D expenditures in the future and nominated under the ruling, including reformulation work, tablet manufacture and testing and drug manufacture, are preapproved for the full 43.5% tax incentive rebate offered by the ATO.

## DIRECTORS' REPORT (Cont.)

### Research and Development Targets 2020-2021:

1. To undertake a large "First Line Therapy" Phase II/III clinical trial in canines with naturally occurring cancer to build on the positive outcomes of the Phase II trial recently conducted with U-Vet.
2. To complete optimization research on the MPL tablet to create a more tailored human product. The current tablet is sufficient for human work, but further optimization will permit greater flexibility for targeting a wider range of human conditions in addition to cancer, such as viral infections (COVID-19) and neurodegenerative disorders.
3. To commence evaluation of the new MPL tablet in humans in Phase I/II anti-cancer trials, as a follow on from the Phase I clinical trial undertaken at the Royal Adelaide Hospital in 2015. Furthermore, to determine and characterize the pharmacokinetic parameters, the dietary requirements and the safety of the newly formulated tablet in humans in Phase I/II trials.
4. To commence evaluation of the effects of MPL upon preclinical models of neurodegenerative disease and COVID-19 to understand mechanisms of neuroprotection and anti-viral activity.
5. To identify Clinical Centres prepared to evaluate the new MPL tablet in humans with COVID-19 and neurodegenerative diseases. PharmAust has already commenced discussions with several Centres regarding the same and has made good progress to date.
6. To complete analysis of the effects of MPL upon the cancer cell transcriptome to assist identification of the mechanisms by which the anti-cancer activity is elicited.
7. To continue analysis aimed at determining the precise nature of MPL's molecular binding mechanism within cells.

### EPICHEM PTY LTD - 100% OWNED SUBSIDIARY

Epichem, a fully owned subsidiary of PharmAust, is a profitable and award winning medicinal and synthetic chemistry company with expertise and capability in the field of drug development, discovery and design. Epichem provides specialised products and technical expertise to a worldwide customer base in the pharmaceutical, mining, agriculture and animal health sectors.

Epichem also manufactures Pharmaceutical Reference Materials and Fine Chemicals and supports the PharmAust Drug Development Pipeline with Lead Drug Development and Validation, Drug Candidate Pipeline Manufacture and Analysis, Drug reformulation, GMP synthesis and stability support as well as Drug Inventory dispensing to clinical trial centres.

Epichem appointed a new CEO in Colin La Galia effective 14 October 2019. Colin was previously the Regional Business Director and Commercial Head of Asia Pacific, China and Japan for Abbott Rapid Diagnostics and he has previously held senior roles over 20 years at Alere Inc, Origin Healthcare, Hollywood Fertility Centre, GlaxoSmithKline and Merck Sharpe & Dohme. Colin is a highly experienced executive in pharmaceuticals, devices and diagnostics, both locally and internationally, and has demonstrated great success in international business development.

Epichem finished the Financial Year strongly, exceeding projected revenue forecast of AUD3.32M to achieve AUD3.54M. This is in light of the Unity Ltd contract coming to an end sooner than expected and the COVID-19 Pandemic.

The DNDi Medicinal Chemistry contract is on track and all deliverables have been achieved thus far. Epichem was acknowledged as the only consortium Medicinal Chemistry provider that was able to remain open and continue to provide services during the COVID-19 Pandemic as many other partners were more seriously impacted and affected.

The Pharmaceutical Reference Materials Business Unit also had strong performance for the year, exceeding its budget target.

Epichem's Chemistry Grade Hand Sanitiser has continued to be donated to healthcare and aged care providers in need. Some of the beneficiaries include Parkerville Children and Youth Care and a number of RSM Charity and Not for Profit Partners including the Cancer Council.

Epichem has increased its Business Development capability with Distribution Partners, BD Consultants, Lead Generation partners and the engagement of a Social Media and PR partner for the US, Europe, Asia and Australian Markets and has added additional internal resource for Marketing and Communications.

Epichem continues to support the PharmAust Drug Development Pipeline with Lead drug development and validation, drug candidate pipeline manufacture and analysis, drug reformulation, GMP synthesis and stability support as well as Drug inventory dispensing to clinical trial centres.

Epichem is involved in a series of COVID-19 Government related projects including the WA Innovation Hub initiative in relation to Smart Surface Chemistry chaired by former Australian of the Year, Dr Fiona Wood.

CEO, Colin La Galia has been invited to take part in the WA Government appointed Health and Medical Life Science Industry Reference Group sponsored by WA Health Minister, Roger Cook and Chaired by WA'S Chief Scientist, Professor Peter Klinken to develop an growth plan for the state's health and medical life science sector. Colin is a strong advocate for the Lifescience Biotech and R&D industry in Australia having completed a large number of interview and pod cast commitments.

## DIRECTORS' REPORT (Cont.)

Epichem has also expanded its suite of products and services beyond its current portfolio to include Material Science and IP technology to service the Energy, Resources and Agriculture sectors.

Epichem continues to pursue opportunities to create our own IP portfolio. This will also allow Epichem to maximise the R&D Tax incentive, partner with key stakeholders to accelerate commercialisation as well as act as an R&D project incubator for PAA.

Epichem was awarded the 2019 WA Exporter Award for International Health and was also awarded two Biotechnology 2020 Awards for Most Innovative Chemistry Service Provider - Australia & Best in Organic Chemistry Solutions 2020. This is testament to Epichem's expertise, experience and acknowledgement of its export capability and outcomes achievement.

### PHARMAUST LTD – PARENT ENTITY

#### Annual General Meeting

The Annual General Meeting of the Shareholders of PharmAust Limited was held on 25 October 2019 at RSM on Level 32, 2 The Esplanade, Perth, Western Australia. All resolutions that were put were passed by a poll.

#### PharmAust Raises \$2.4m in Placement

On 3 October 2019, PharmAust announced that it had raised \$2.4 million through a placement primarily to Australian and Singaporean fund management institutions. Funds were raised via a placement of approximately 20 million fully paid ordinary shares under ASX Listing Rule 7.1 at \$0.12 cents per share.

#### PharmAust receives \$712,647 R&D Tax Incentive Refund

Following approval from the ATO of the Company's application for a Research and Development rebate, an amount of \$712,647 was deemed refundable on PharmAust's 2019 Tax Return and was paid to PharmAust on 14 January 2020.

#### COVID-19 pandemic impact

There was minimal impact to the Company from the COVID-19 pandemic.

Epichem was acknowledged as the only consortium Medicinal Chemistry provider that was able to remain open and continue to provide services during the COVID-19 Pandemic as many other partners were more seriously impacted and affected.

Recruitment for the Phase II Canine Trial at some clinics was put on hold due to the COVID-19 pandemic and related shutdown measures at State and federal government levels. Following consultation with the trial manager, PharmAust considered it was in the best interests of dogs and their owners to reduce the consultation visits and intensity required for the trial in some circumstances. This meant a pause on recruitment at some centres due to COVID-19. Despite this however, in May 2020, PharmAust was pleased to advise that its canine trial achieved a successful outcome.

#### Significant Changes in State of Affairs

A review of events during the reporting period can be found in the review of operations.

## DIRECTORS' REPORT (Cont.)

### Subsequent Events

On 7 July 2020, the Company issued 4,400,000 fully paid ordinary shares based on the exercise of 650,000 unlisted options at 8c per option raising \$52,000 for the Company, exercise of 3,500,000 unlisted options at 12c per option raising \$420,000 for the Company and the exercise of 250,000 unlisted options at 15c per option raising \$37,500 for the Company.

On 10 July 2020, the Company issued 1,000,000 fully paid ordinary shares based on the exercise of 500,000 unlisted options at 8c per option raising \$40,000 for the Company and exercise of 500,000 unlisted options at 12c per option raising \$60,000 for the Company.

On 15 July 2020, the Company issued 1,050,000 fully paid ordinary shares based on the exercise of 100,000 unlisted options at 8c per option raising \$8,000 for the Company and exercise of 950,000 unlisted options at 12c per option raising \$114,000 for the Company.

On 17 July 2020, the Company issued 2,625,000 fully paid ordinary shares based on the exercise of 125,000 unlisted options at 8c per option raising \$10,000 for the Company and exercise of 2,500,000 unlisted options at 12c per option raising \$300,000 for the Company.

On 24 July 2020, the Company issued 3,400,000 fully paid ordinary shares based on the exercise of 900,000 unlisted options at 8c per option raising \$72,000 for the Company and exercise of 2,500,000 unlisted options at 12c per option raising \$300,000 for the Company.

On 31 July 2020, the Company issued 900,000 fully paid ordinary shares based on the exercise of 900,000 unlisted options at 8c per option raising \$72,000 for the Company.

On 7 August 2020, the Company issued 200,000 fully paid ordinary shares based on the exercise of 200,000 unlisted options at 8c per option raising \$16,000 for the Company.

On 31 August 2020, the Company issued 250,000 fully paid ordinary shares based on the exercise of 250,000 unlisted options at 8c per option raising \$20,000 for the Company.

On 9 September 2020, the Company announced that Elanco Animal Health had advised the company that it would not proceed to exercise its option to develop Monepantel for veterinary cancers.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years, other than:

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided

### Future Developments

In the opinion of the Directors disclosure of information regarding likely developments in the Company's operations and the expected results of those operations in subsequent financial years could prejudice the Company's interests. Accordingly, this information has not been included in this report.

### Environmental Regulation

The Company is subject to a range of environmental regulation. During the year, the Company met all reporting requirements under any relevant legislation. There were no incidents which required reporting.



## DIRECTORS' REPORT (Cont.)

### Information on Directors

#### Dr Roger Aston – Executive Chairman

Qualifications	BSc (Hons), Ph.D
Experience	Dr Aston currently serves as Executive Chairman and Chief Executive Officer of PharmAust Ltd. Dr Aston served as Chief Executive Officer of Mayne Pharma Group until 15 February 2012. During his career, he has been closely involved in start-up companies and major pharmaceutical companies. Aspects of his experience include FDA and EU product registration, clinical trials, global licensing agreements, fundraising through private placements, and a network of contacts within the pharmaceutical, banking and stock broking sectors. Dr Aston is both a scientist and seasoned biotechnology entrepreneur, with a successful track record in both fields. Dr Aston holds a B.Sc. (Hons) and Ph.D. degrees from the University of Manchester from 1975 to 1981.
Interests in Shares & Options	Dr Aston holds 15,044,815 Fully Paid Ordinary Shares.
Other Current Directorships (ASX Listed Companies)	Immuron Limited (ASX:IMC), Oncosil Limited (ASX: OSL) and ResApp Health Limited (ASX:RAP)
Previous Directorships (last 3 years) ASX Listed Companies	IDT Limited (ASX:IDT); and Polynovo Limited (ASX:PNV) (previously Calzada Limited (ASX:CZD)) and Regeneus Limited (ASX:RGS)

#### Mr Robert C Bishop – Executive Director

Qualifications	LI.B (Hons), Solicitor (New South Wales and England & Wales), MAICD
Experience	Mr Bishop has 35 years' experience in corporate finance and equity capital markets. Having worked extensively in London and Sydney, first as a lawyer at Linklaters & Paines and Allen, Allen & Hemsley; and then as a stockbroker and investment banker at Ord Minnett, Robert Fleming and, since 1998, at his Sydney based corporate finance business, First Capital Markets. He has extensive experience in the areas of stock market flotation's, licensing and compliance work.
Interests in Shares & Options	Mr Bishop, via his Company, holds 9,211,060 Fully Paid Ordinary Shares.
Other Current Directorships (ASX Listed Companies)	Nil
Previous Directorships (last 3 years) ASX Listed Companies	Nil

#### Mr Neville Bassett AM – Non-Executive Director

Qualifications	AM, FCA, B.Bus
Experience	Mr Bassett has spent more than 35 years working in accounting, finance and stockbroking. During that time, he has had considerable involvement in Australian financial markets including numerous public Company listings and capital raisings, as well as mergers and acquisitions.  In 1991, he became a Director/Councillor of the Royal Flying Doctor Service (RFDS) in WA and he was Chairman of RFDS Western Operations for eight years until his retirement in 2017. He also served six years as Western Operations representative on the Board of the Australian Council of the Royal Flying Doctor Service of Australia. In 2015, Mr Bassett's decades of unwavering dedication to community service were recognised when he was awarded a Member of the Order of Australia (AM) in the Australia Day Honours.
Interests in Shares & Options	Mr Bassett holds 7,000 ordinary shares in PharmAust Limited.
Other Current Directorships (ASX Listed Companies)	Auris Minerals Limited, Pointerra Limited, Yowie Group Limited and Blina Minerals NL
Previous Directorships (last 3 years) ASX Listed Companies	Longford Resources Ltd, Meteoric Resources NL, Vector Resources Ltd and Metalsearch Ltd

## DIRECTORS' REPORT (Cont.)

### Mr Sam Wright – Non-Executive Director & Company Secretary

Qualifications AFin DipAcc ACIS MAICD

Experience Sam Wright has over fifteen years' experience in the administration of ASX listed companies, corporate governance and corporate finance. He is a member of the Australian Institute of Company Directors, the Financial Services Institute of Australasia, and the Chartered Secretaries of Australia.

Mr Wright joined PharmAust as the Financial Controller in September 2006, was appointed as the Company Secretary in August 2007, and has been a Director of the Company since October 2008.

Mr Wright is also Company Secretary for ASX listed companies, Buxton Resources Limited, Structural Monitoring Systems plc and Wide Open Agriculture Limited. Mr Wright has also filled the role of Director and Company Secretary with a number of unlisted companies.

Mr Wright is the Managing Director of Perth-based corporate advisory firm Straight Lines Consultancy, specialising in the provision of corporate services to public companies.

Mr Wright has extensive experience in relation to public Company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, and shareholder relations with both retail and institutional investors.

Interests in Shares & Options Mr Wright, via his Company, holds 3,000,000 ordinary shares in PharmAust Limited.

Other Current Directorships (ASX Listed Companies) Nil

Nil

Previous Directorships (last 3 years) ASX Listed Companies

### Meetings of Directors

The number of meetings of the Company's directors held during the year ended 30 June 2020, and the number of meetings attended by each director was:

Directors	Meetings of Directors	
	Eligible to Participate	Number Attended
Dr Roger Aston	3	3
Mr Neville Bassett	3	3
Mr Robert Bishop	3	3
Mr Sam Wright	3	3

## DIRECTORS' REPORT (Cont.)

### Remuneration Report (Audited)

The remuneration report, which has been audited, outlines the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

This report details the nature and amount of remuneration for each director and executive of PharmAust Limited.

#### Remuneration policy

The remuneration of directors and executives of PharmAust Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of PharmAust Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation whilst some executives receive fringe benefits. The Board reviews executive packages periodically by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed regularly with each executive and is based on factors including the forecast growth of profits and shareholders' value.

The remuneration is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. The goal of the remuneration structures it to align the remuneration packages of the executives with the Company's performance and specifically the Company's earnings and the consequences of the Company's performance on shareholder wealth including dividends, returns of capital and capital appreciation.

The executive directors and executives receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits. Individuals, however, have the option to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Any shares given to directors and executives will be valued as the difference between the market price of those shares and the amount paid by the director or executive. Any options granted will be valued by an independent expert using the Black-Scholes, Binomial or any other methodologies that the independent expert deems appropriate.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board (excluding the relevant director) determines payments to the directors and reviews their remuneration regularly, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

*Voting and comments made at the Company's 2019 Annual General Meeting ('AGM').*

At the 2019 AGM, 99.95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### Details of remuneration

Details of the nature and amount of each element of remuneration of each key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors and other key management personnel:

#### Directors

Roger Aston	Executive Chairman
Robert Bishop	Executive Director
Sam Wright	Non-Executive Director & Company Secretary
Neville Bassett	Non-Executive Director

#### Other Key Management Personnel

Wayne Best*	Non-Executive Chairman – Epichem Pty Ltd
John Horton	Chairman – Epichem Pty Ltd
Rebecca McCrackan	Non-Executive Director – Epichem Pty Ltd
Richard Mollard	Chief Scientific Officer – PharmAust Ltd
	Chief Executive Officer – Pitney Pharmaceuticals Pty Ltd
Martine Keenan	Chief Scientific Officer & Executive Director – Epichem Pty Ltd
Colin La Galia**	Chief Executive Officer – Epichem Pty Ltd

\* Resigned on 1/07/2020.

\*\* Appointed on 7/10/2019.

## DIRECTORS' REPORT (Cont.)

### Remuneration Report (Audited)

2020	Short-term Benefits	Post-employment Benefits	Share-based Payments	Total
	Salary & Fees \$	Superannuation \$	Options & Performance Rights \$	
<b><u>Directors</u></b>				
Roger Aston	260,000	24,700	-	284,700
Sam Wright	132,200	-	-	132,200
Robert Bishop	122,000	11,590	-	133,590
Neville Bassett	30,000	-	-	30,000
<b><u>Other Key Management Personnel</u></b>				
Wayne Best*	9,000	-	-	9,000
Richard Mollard	240,000	22,800	18,829	281,629
Martine Keenan	175,000	16,482	-	191,482
John Horton	6,000	-	-	6,000
Rebecca McCrackan	5,400	513	-	5,913
Colin La Galia*	173,089	14,482	-	187,571
	1,152,689	90,567	18,829	1,262,085

\* Resigned on 1/07/2020.

\*\* Appointed on 7/10/2019.

2019	Short-term Benefits	Post-employment Benefits	Share-based Payments	Total
	Salary & Fees \$	Superannuation \$	Options & Performance Rights \$	
<b><u>Directors</u></b>				
Roger Aston	260,000	24,700	-	284,700
Sam Wright	114,000	-	-	114,000
Robert Bishop	104,000	9,880	-	113,880
Neville Bassett	20,000	-	-	20,000
Wayne Best	16,500	713	-	17,213
<b><u>Other Key Management Personnel</u></b>				
Richard Mollard	196,987	18,714	-	215,701
Martine Keenan	140,000	13,300	-	153,300
John Horton	12,000	-	-	12,000
Rebecca McCrackan	5,400	513	-	5,913
	868,887	67,820	-	936,707

## DIRECTORS' REPORT (Cont.)

### Remuneration Report (Audited)

#### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

#### **Remuneration of Roger Aston (Executive Chairman - PharmAust Limited)**

Term of the agreement – permanent and no specific term.

Base salary of \$260,000 per year plus superannuation of 9.5% of base salary.

Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to six (6) months base salary and superannuation.

#### **Remuneration of Robert Bishop (Executive Director - PharmAust Limited)**

Term of the agreement – permanent and no specific term.

Base salary of \$104,000 per year plus superannuation of 9.5% of base salary. Effective from 1 October 2019, base salary increased to \$128,000 per year plus superannuation of 9.5% of base salary.

Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation.

#### **Remuneration of Sam Wright (Non-Executive Director and Company Secretary – PharmAust Limited)**

Term of the agreement – permanent and no specific term.

Consultancy fees of \$9,500 plus GST per month, payable in arrears. Effective from 1 October 2019, consultancy fees increased to \$11,500 plus GST per month, payable in arrears.

Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to six (6) months consultancy fee.

#### **Remuneration of John Horton (Chairman – Epichem Pty Ltd)**

Term of the agreement – permanent and no specific term.

Consultancy fees of \$12,000 per annum. John Horton resigned with effect from 31 December 2019.

#### **Remuneration of Rebecca McCrackan (Non-Executive Director – Epichem Pty Ltd)**

Term of the agreement – permanent and no specific term.

Director fees of \$5,400 per annum plus superannuation of 9.5% of base salary.

#### **Remuneration of Neville Basseff (Non-Executive Director – PharmAust Limited)**

Term of the agreement – permanent and no specific term.

Directors fees of \$30,000 per year.

#### **Remuneration of Richard Mollard (Chief Scientific Officer – PharmAust Ltd & Chief Executive Officer – Pitney Pharmaceuticals Pty Ltd)**

Term of the agreement – permanent and no specific term.

Base salary of \$240,000 per year plus superannuation of 9.5% of base salary

Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to six (6) months base salary and superannuation.

#### **Remuneration of Martine Keenan (Chief Executive Officer – Epichem Pty Ltd)**

Term of the agreement – permanent and no specific term. Martine Keenan stepped down from this role with effect from 31 December 2019 and commenced a role as non-executive director of Epichem Pty Ltd with a base salary of \$1,500 per month plus superannuation, effective 1 September 2019.

Base salary of \$140,000 per annum plus superannuation of 9.5% of base salary for period while CEO of Epichem.

Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation.

## DIRECTORS' REPORT (Cont.)

### Remuneration Report (Audited)

#### **Remuneration of Colin La Galia (Chief Executive Officer – Epichem Pty Ltd)**

Commencement date is 7 October 2019. Term of the agreement – permanent and no specific term.

Base salary of \$212,500 per annum plus superannuation of 9.5% of base salary.

Bonus set out below depending on the relevant band in the event of the satisfaction of Bonus milestones for any one financial year that Epichem Pty Ltd makes an after tax profit of:

- (a) \$100,000 – \$200,000 - bonus of \$10,000 plus \$10,000 worth of PAA shares; or
- (b) \$200,001 - \$320,000 - bonus of \$17,500 plus \$17,500 worth of PAA shares; or
- (c) \$320,001 - \$400,000 - bonus of \$25,000 plus \$25,000 worth of PAA shares; or
- (d) \$400,001 - \$525,000 - bonus of \$30,000 plus \$30,000 worth of PAA shares; or
- (e) \$525,001 - \$650,000 - bonus of \$35,000 plus \$35,000 worth of PAA shares; or
- (f) \$650,001 - \$750,000 - bonus of \$40,000 plus \$40,000 worth of PAA shares; or
- (g) \$750,001 - \$1,000,000 - bonus of \$45,000 plus \$45,000 worth of PAA shares; or
- (h) \$1,000,001 plus - bonus of \$50,000 plus \$50,000 worth of PAA shares; or
- (i) for any after tax profit above \$1,250,000 – additional bonus of \$5,000 plus \$5,000 worth of PAA shares in addition to the amount in (h) above for each additional \$250,000 profit figure above above \$1,250,000.

Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation. Payment of the bonus and grant of shares will be made in the following year after the completion of the annual audit.

#### **Share-based compensation**

##### *Shares*

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2020.

##### *Options*

There were no options issued to directors and other KMP as part of compensation during the year ended 30 June 2020.

##### *Performance rights*

On 26 April 2020, 4,000,000 performance rights were granted to Richard Mollard as part of compensation during the year ended 30 June 2020. The performance rights have a number of vesting conditions attached. 2,000,000 performance rights expire on 30 April 2022, with the remaining 2,000,000 expiring 31 October 2022.

#### **Options and performance rights granted as part of remuneration**

All options and performance rights have been granted and issued. The amount allocated to remuneration is allocated over the vesting period.

#### **Other transactions with key management personnel and their related parties**

There were no other transactions with key management personnel and their related parties during the year.

## DIRECTORS' REPORT (Cont.)

### Remuneration Report (Audited)

#### Additional information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Revenue	4,123,411	4,364,554	3,295,904	3,333,505	2,754,737
EBITDA	(968,857)	(1,330,970)	(2,374,722)	(1,161,152)	(4,076,414)
EBIT	(1,243,494)	(1,503,400)	(2,493,327)	(1,343,614)	(3,927,256)
Loss after income tax	(1,361,990)	(1,551,222)	(2,521,679)	(1,343,614)	(3,927,256)

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

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	0.16	0.04	0.04	0.06	0.08
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.46)	(0.71)	(1.72)	(1.08)	(0.60)

#### Additional disclosures relating to key management personnel

##### Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

<b>2020</b>	Balance 1 July 2019 No.	Share Consolidation No.	Received as Compensation No.	At date of Appointment and/or Resignation No.	Net Change Other* No.	Balance 30 June 2020 No.
<b><u>Directors</u></b>						
Roger Aston	15,044,815	-	-	-	-	15,044,815
Robert Bishop	9,211,060	-	-	-	-	9,211,060
Sam Wright	2,800,000	-	-	-	200,000	3,000,000
Neville Bassett	7,000	-	-	-	-	7,000
<b><u>Other Key Management Personnel</u></b>						
Wayne Best	1,072,538	-	-	-	-	1,072,538
Colin La Galia**	-	-	-	-	-	-
John Horton	1,250	-	-	-	-	1,250
Rebecca McCrackan	-	-	-	-	-	-
Richard Mollard	625,000	-	-	-	-	625,000
Martine Keenan	-	-	-	-	-	-
	<b>28,761,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>28,961,663</b>

\*The net change other column above includes shares that were purchased during the year.

\*\*Appointed on 7 October 2019.

## DIRECTORS' REPORT (Cont.)

### Remuneration Report (Audited)

*Option holding*

The number options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

<b>2020</b>	Balance 1 July 2019 No.	Granted as Compensation No.	Options Exercised No.	At date of Appointment and/or Resignation	Net Change Other* No.	Balance 30 June 2020 No.	Total Vested No.
<b><u>Directors</u></b>							
Roger Aston	1,791,050	-	-	-	(1,791,050)	-	-
Robert Bishop	913,222	-	-	-	(913,222)	-	-
Sam Wright	166,668	-	-	-	(166,668)	-	-
Neville Bassett	-	-	-	-	-	-	-
<b><u>Other Key Management Personnel</u></b>							
Wayne Best	1,311,017	-	-	-	(61,017)	1,250,000	1,250,000
Colin La Galia**	-	-	-	-	-	-	-
John Horton	250,000	-	-	-	-	250,000	250,000
Richard Mollard	10,125,000	-	-	-	(10,125,000)	-	-
Rebecca McCrackan	250,000	-	-	-	-	250,000	250,000
Martine Keenan	750,000	-	-	-	-	750,000	750,000
	15,556,957	-	-	-	(13,056,957)	2,500,000	2,500,000

\*The net change other column above includes those options that have expired during the year.

\*\*Appointed on 7 October 2019.

**[END OF REMUNERATION REPORT]**



## DIRECTORS' REPORT (Cont.)

### Share Options & Performance Rights

The details of unissued ordinary shares under option at the date of this report are as follows:

	Number	Exercise Price	Expiry Date
Unlisted	500,000	15 cents	30 June 2022
Unlisted	5,000,000	8 cents	31 December 2020
Unlisted	10,000,000	12 cents	31 January 2022

During the year, 1,799,862 options were exercised. Please refer to Note 27 'Events After the Reporting Period' for details of all options exercised since the end of the financial year to the date of this report.

The Company has no unissued ordinary shares through Performance Rights.

During the year, the Company issued 4,000,000 performance rights. The performance rights have no exercise price and vest based on a number of vesting conditions. 2,000,000 of the rights expire on 30 April 2022 and 2,000,000 expire on 31 October 2022. To date none of the performance rights have vested.

### Shares Issued on Exercise of Compensation Options

No options were exercised last financial year, this financial year or up to the date of this report.

### Indemnification and Insurance of Directors and Officers

During the year, the Company held Directors and Officers Indemnity insurance.

The Company's Constitution provides that except as may be prohibited by Sections 199A and 199B of the Corporations Act every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings whether civil or criminal.

### Indemnification and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

### Annual Report Disclosure on Corporate Governance

PharmAust Limited is a drug discovery and development Company. The Company has established and continues to refine and improve procedures to ensure a culture of good corporate governance exists and is respected across the consolidated entity.

The Company has a written policy designed to ensure compliance with ASX Listing Rules and all other regulatory requirements for disclosures. Additionally, the Company has adopted a policy designed to ensure procedures to implement the policy are suitable and effective.

The Board wishes to acknowledge that nothing has come to its attention that would lead it to conclude that its current practices and procedures are not appropriate for an organisation of the size and maturity of the Company. The Corporate Governance Policy and the Company's corporate governance practices is set out on the Company's web site at [www.pharmaust.com](http://www.pharmaust.com).

## DIRECTORS' REPORT (Cont.)

### Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### Officers of the Company who are former partners of RSM Australia Partners

There are no officers of the Company who are former partners of RSM Australia Partners.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within these financial statements.

### Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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**Dr ROGER ASTON**  
**Executive Chairman**

18 September 2020  
Perth, Western Australia

**RSM Australia Partners**

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2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of PharmAust Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 18 September 2020

**RSM Australia Partners**

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2 The Esplanade Perth WA 6000  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF PHARMAUST LIMITED**

**Opinion**

We have audited the financial report of PharmAust Limited (Company) and its subsidiaries (Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 statements, 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 2020 and of its financial performance for the year then ended; 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 auditor independence requirements of 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 (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.

Key audit matter	How our audit addressed this matter
<b>Intangible Assets</b> Refer to Note 8 in the financial statements	
<p>Intangible assets of the Group are \$3,107,476 as at 30 June 2020. This relates to the intellectual property rights for the monepantel oncology platform (MPL).</p> <p>The MPL asset is not yet available for use and is required to be tested annually for impairment by comparing its carrying amount with its recoverable amount. Management's assessment determined that the recoverable amount of this asset exceeded its carrying value at the reporting date.</p> <p>Management's assessment involved:</p> <ul style="list-style-type: none"> <li>• Reviewing the key assumptions for the MPL value-in-use model to determine whether there were any significant changes during the current financial year; and</li> <li>• Evaluating whether any events have occurred to indicate the MPL asset's recoverable amount may be less than its carrying amount.</li> </ul> <p>Management's assessment is subject to estimation uncertainty and requires significant management judgement. We determined this to be a key audit matter due the risk that the outcome of the impairment assessment could vary significantly if different assumptions are applied.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing whether there are any indicators of impairment of the MPL asset, including enquiring with management on the current and planned commercialisation activities;</li> <li>• Assessing the reasonableness of management's assumptions used in the value-in-use model and whether there are any indicators that would require the re-estimation of the asset's recoverable amount; and</li> <li>• Assessing the adequacy of the disclosures in the financial statements.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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 accordingly 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 have 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 at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar2.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 within the directors' report for the year ended 30 June 2020.

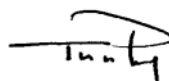
In our opinion, the Remuneration Report of PharmAust Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### *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.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 18 September 2020

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of PharmAust Limited, I state that:

1. In the opinion of the directors:
  - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2020 and of its performance, for the year ended on that date; and
    - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
  - (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;
2. This declaration has been made after receiving the declarations required to be made in accordance with sections of 295A of the Corporations Act 2001 for the financial year ending 30 June 2020.

On behalf of the Board



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**Dr ROGER ASTON**  
**Executive Chairman**

18 September 2020  
Perth, Western Australia

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

	NOTE	CONSOLIDATED	
		2020 \$	2019 \$
Revenue	2	3,195,892	3,670,457
Other income	2	927,519	694,097
		<u>4,123,411</u>	<u>4,364,554</u>
Raw materials and consumables used		(246,157)	(333,632)
Employee benefits expense		(3,099,119)	(2,913,555)
Depreciation expense		(274,637)	(172,430)
Finance costs		(118,495)	(47,822)
Research and development expenses		(605,351)	(1,039,136)
Administration expenses		<u>(1,141,642)</u>	<u>(1,409,201)</u>
		<u>(5,485,401)</u>	<u>(5,915,776)</u>
<b>Loss before income tax expense</b>		1,361,990	1,551,222
Income tax expense	3a	-	-
<b>Loss after income tax expense</b>		1,361,990	1,551,222
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>1,361,990</b>	<b>1,551,222</b>
		<u><u>1,361,990</u></u>	<u><u>1,551,222</u></u>
Basic and diluted loss per share (cents per share)	16	(0.46)	(0.71)

*The accompanying notes form part of these financial statements.*



STATEMENT OF FINANCIAL POSITION  
As at 30 June 2020

	NOTE	CONSOLIDATED	
		2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	2,880,496	2,090,625
Trade and other receivables	5a	297,683	258,842
Other current assets	6	34,359	58,509
Inventory	7	857,570	611,816
<b>TOTAL CURRENT ASSETS</b>		<b>4,070,108</b>	<b>3,019,792</b>
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	3,107,476	3,107,476
Plant and equipment	9	3,568,717	2,468,449
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,676,193</b>	<b>5,575,925</b>
<b>TOTAL ASSETS</b>		<b>10,746,301</b>	<b>8,595,717</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	557,002	673,020
Borrowings	11	179,230	143,384
Employee benefits	12	146,672	105,602
Lease liabilities	17	175,407	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,058,311</b>	<b>922,006</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	11	38,206	181,230
Employee Benefits	12	44,507	36,601
Lease liabilities	17	1,079,008	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,161,721</b>	<b>217,831</b>
<b>TOTAL LIABILITIES</b>		<b>2,220,032</b>	<b>1,139,837</b>
<b>NET ASSETS</b>		<b>8,526,269</b>	<b>7,455,880</b>
<b>EQUITY</b>			
Issued capital	13	53,772,433	51,388,306
Reserves	14	1,955,644	1,907,392
Accumulated losses	26	(47,201,808)	(45,839,818)
<b>TOTAL EQUITY</b>		<b>8,526,269</b>	<b>7,455,880</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2020**

	Issued Capital	Accumulated Losses	Share-Based Payments Reserve	Total Equity
	\$	\$	\$	\$
<b>As at 1 July 2018</b>	<b>49,371,354</b>	<b>(44,288,596)</b>	<b>2,055,460</b>	<b>7,138,218</b>
Loss for the year	-	(1,551,222)	-	(1,551,222)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,551,222)</b>	<b>-</b>	<b>(1,551,222)</b>
Shares issued (net of costs)	1,917,577	-	-	1,917,577
Conversion and lapse of performance rights	99,375	-	(148,068)	(48,693)
<b>As at 30 June 2019</b>	<b>51,388,306</b>	<b>(45,839,818)</b>	<b>1,907,392</b>	<b>7,455,880</b>
<b>As at 1 July 2019</b>	<b>51,388,306</b>	<b>(45,839,818)</b>	<b>1,907,392</b>	<b>7,455,880</b>
Loss for the year	-	(1,361,990)	-	(1,361,990)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,361,990)</b>	<b>-</b>	<b>(1,361,990)</b>
Shares issued (net of costs)	2,223,144	-	-	2,223,144
Exercise of options	160,983	-	-	160,983
Share-based payment	-	-	48,252	48,252
<b>As at 30 June 2020</b>	<b>53,772,433</b>	<b>(47,201,808)</b>	<b>1,955,644</b>	<b>8,526,269</b>

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2020**

	NOTE	CONSOLIDATED	
		2020	2019
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		3,133,673	3,659,968
Payments to suppliers and employees		(5,332,663)	(5,860,249)
Other income		927,519	676,299
Interest received		23,378	17,798
Interest and other costs of finance		(21,909)	(47,822)
Net cash used in operating activities	19b	<u>(1,270,002)</u>	<u>(1,554,006)</u>
Cash Flows from Investing Activities			
Payments for plant and equipment		(30,229)	(146,725)
Net cash used in investing activities		<u>(30,229)</u>	<u>(146,725)</u>
Cash Flows from Financing Activities			
Proceeds from share issues (net)		2,384,127	2,016,952
Repayment of borrowing and leases		(294,025)	(101,027)
Net cash generated from financing activities		<u>2,090,102</u>	<u>1,915,925</u>
Net increase in cash held		789,871	215,194
Cash at the beginning of the financial year		<u>2,090,625</u>	<u>1,875,431</u>
Cash at the end of the financial year	19a	<u><u>2,880,496</u></u>	<u><u>2,090,625</u></u>

*The accompanying notes form an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

These consolidated financial statements and notes represent those of PharmAust Limited and its Controlled Entities (the "consolidated entity" or "Group").

The separate financial statements of the parent entity, PharmAust Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*. Supplementary information about the parent entity is disclosed within this financial statements in Note 25.

### 1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 25.

The financial report was authorised for issue on 18 September 2020 by the Directors of the Company.

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PharmAust Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended. PharmAust Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the parent has control. The consolidated entity controls an entity when the parent entity is exposed to, or has rights to, variable returns from its involvement with the subsidiary 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (b) 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 the 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 be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- 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
- 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.

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 at 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 entities which intend to settle simultaneously.

The parent and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

#### (c) Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (c) Plant and Equipment (Cont.)

##### *Depreciation*

The depreciable amount of all plant is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Plant and equipment	3-20 years

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 lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

##### **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 payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### (d) Leases

##### *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the 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 consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### (e) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(f) Foreign currency transactions and balances

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

*Foreign currency transactions*

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 recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (g) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

#### (h) Employee benefits

##### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

##### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

#### (i) Provisions

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

#### (j) 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 cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (k) 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.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### (l) Revenue recognition

The consolidated entity recognises revenue as follows:

##### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

##### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

##### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

##### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.

#### (m) 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 other receivables or 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.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (n) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (o) 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.

#### (p) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of PharmAust Limited, 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.

#### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (r) Intangibles assets

##### *Intellectual property rights- three oncology technology platforms*

Intellectual property rights are recognised at cost of acquisition less accumulated amortisation and any impairment losses. For intellectual property rights not yet available for use, they are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Intangible assets have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project following commercialisation of the assets.

#### (s) 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 principal 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 interests. 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 at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of 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.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- (f) **Comparative figures**  
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.
- (u) **Operating segments**  
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.
- (v) **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 classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

- (w) **Trade and other payables**  
These amounts represent liabilities for goods and services provided to the consolidated entity 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.
- (x) **Borrowings**  
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- (y) New or amended accounting standards and interpretations adopted  
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted. The consolidated entity does not expect any of the new standards applicable in future years will have a material impact on the financial results or the disclosures of the consolidated entity.

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of AASB 16 was the most meaningful to the consolidated entity.

#### **AASB 16 Leases**

The consolidated entity has adopted AASB 16 'Leases' (AASB 16) from 1 July 2019. The standard replaces AASB 117 'Leases' (AASB 117) 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 financial position.

#### *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 payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement 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 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 consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### *Transition*

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

In accordance with the transition provisions of AASB 16, the consolidated entity has adopted the modified retrospective transition approach to implementing the new standard. Under this approach, comparatives are not restated. Instead, the reclassifications and adjustments arising from the new leasing rules are recognised in the statement of financial position on 1 July 2019.

The impact on the statement of financial position as at 1 July 2019 on the adoption of AASB16 are noted below:

1 July 2019  
\$'000

*Right of use assets*

Buildings	1,344,748
<b>Total right of use assets</b>	<u>1,344,748</u>
Lease liabilities - current (AASB 16)	87,239
Lease liabilities - non-current (AASB 16)	<u>1,257,509</u>
<b>Total lease liabilities</b>	<u>1,344,748</u>
Reduction in opening retained profits as at 1 July 2019	<u><u>-</u></u>

(z) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (z) Business combinations (Cont.)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

#### (aa) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

##### *Other finite life intangible assets not yet in use*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other finite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1(r). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, royalty rates and growth rates of the estimated future cash flows.

##### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

		CONSOLIDATED	
		2020	2019
		\$	\$
2	REVENUE		
	Sales	3,195,892	3,670,457
	OTHER INCOME		
	Interest received	3,290	17,798
	Other revenue	924,229	676,299
		927,519	694,097
		927,519	694,097
Refer to Note 23 Segment Reporting for further information with respect to disaggregated revenue.			
3	INCOME TAX EXPENSE		
3a	No income tax is payable as a tax loss has been incurred for income tax purposes.		
	Loss before income tax	(1,361,990)	(1,551,222)
	Prima facie tax benefit at 27.5% (2019: 27.5%)	(374,547)	(426,586)
	Tax effect of:		
	- Other non-allowable items	219,455	277,538
	- Deferred tax asset not brought to account	155,092	149,048
		-	-
		-	-
3b	Deferred tax asset		
	The potential deferred tax assets have not been recognised in the statement of financial position because their recovery is not considered probable.		
	- Tax losses at 27.5% tax rate (not recognised) (2019: 27.5%)	6,790,774	6,595,011
		6,790,774	6,595,011
		6,790,774	6,595,011
PharmAust Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the Tax Consolidation Regime. PharmAust Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each Company in the consolidated entity contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.			
4	CASH AND CASH EQUIVALENTS		
	Cash at bank	2,880,496	2,090,625
		2,880,496	2,090,625
		2,880,496	2,090,625

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

		CONSOLIDATED	
		2020	2019
		\$	\$
5	TRADE AND OTHER RECEIVABLES		
5a	CURRENT		
	Trade receivables	297,683	258,842
	Less: provision for doubtful debts	-	-
		<u>297,683</u>	<u>258,842</u>
	Trade receivables: Payment terms are 30 days from the date of recognition and carried at fair value.		
5b	Provision for impairment of receivables		
	Current trade and term receivables are non-interest bearing and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.		
5c	Past due but not impaired		
	As of 30 June 2020, trade receivables of \$7,177 (2019: \$9,585) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:		
	31 to 60 days	561	249,257
	61 days and above	7,177	9,585
		<u>7,738</u>	<u>258,842</u>
	Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.		
5d	Fair value and credit risk		
	The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 5. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.		
6	OTHER CURRENT ASSETS		
	GST receivable	12,966	29,771
	Bond	4,291	4,291
	Prepayments	17,102	24,447
		<u>34,359</u>	<u>58,509</u>
7	Inventories		
	Finished Goods	857,570	611,816
		<u>857,570</u>	<u>611,816</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

	CONSOLIDATED	
	2020 \$	2019 \$
8. Intangible Assets		
Intellectual property rights – at cost	5,179,128	5,179,128
Amortisation	-	-
Accumulated impairment losses	(2,071,652)	(2,071,652)
	<u>3,107,476</u>	<u>3,107,476</u>
Movements in Carrying Amounts:		
Balance at the beginning of the year	3,107,476	3,107,476
Addition	-	-
Impairment	-	-
Balance at the end of the year	<u>3,107,476</u>	<u>3,107,476</u>

No amortisation has been recognised as these intellectual property rights are not yet at the commercialisation stage.

The Group has assessed the recoverability of the carrying amount of the Intangible Asset based on a 16-year value in use calculation using a discounted cash flow model for the intellectual property rights to the monepantel (MPL) oncology platform. The calculation is based on budgets approved by management, assuming commercialisation through a royalty revenue stream for both human and animal patents. The key assumptions used in the discounted cash flow model include:

- Royalty rate of 10% (2019: 10%).
- Post-tax discount rate of 30% (2019: 30%).

The discount rate of 30% post-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital.

Based on the results of the value in use calculation using a discounted cash flow model, there is no impairment required to be recognised.

	CONSOLIDATED		
	2020 \$		2019 \$
9. PLANT AND EQUIPMENT			
Plant and Equipment - Cost	3,526,015		3,444,975
Less: Accumulated depreciation	(1,179,731)		(976,526)
	<u>2,346,284</u>		<u>2,468,449</u>
Right of Use Asset – Cost	1,344,676		-
Less: Accumulated depreciation	(122,243)		-
	<u>1,222,433</u>		<u>-</u>
	<u>3,568,717</u>		<u>2,468,449</u>
Movements in Carrying Amounts:			
	<b>Plant and Equipment \$</b>	<b>Right of Use Asset \$</b>	<b>Total \$</b>
Balance at 1 July 2018	2,495,154	-	2,495,154
Additions	145,725	-	145,725
Depreciation expense	(172,430)	-	(172,430)
Balance at 30 June 2019	<u>2,468,449</u>	-	<u>2,468,449</u>
Additions	30,229	1,344,676	1,374,905
Depreciation expense	(152,394)	(122,243)	(274,637)
Balance at 30 June 2020	<u>2,346,284</u>	<u>1,222,433</u>	<u>3,568,717</u>

The consolidated entity leases buildings for its offices under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

10 TRADE AND OTHER PAYABLES		
Trade creditors and accruals	<u>557,002</u>	<u>673,020</u>

Payment terms are 30 days from receipt of goods and/or services rendered.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

11	BORROWINGS		
	CURRENT		
	EFIC Loan Facility	179,230	143,384
		<u>179,230</u>	<u>143,384</u>
	NON CURRENT		
	EFIC Loan Facility	38,206	181,230
		<u>38,206</u>	<u>181,230</u>

*Terms and conditions:*

The EFIC Loan Facility has a variable interest rate charged at the AFMA Bank Bill Average Bid Rate fix + 6.05% margin. At 30 June 2020 this rate was 6.195%.

**Financing arrangements**

Loan Facility 1:

The consolidated entity entered into a loan agreement to gain access to an original loan facility of \$466,000.

Security: First charge over the new laboratory equipment.

**Loan facility 1 (formerly known as Loan Facility 2):**

Total facility limit	466,000	466,000
Amount utilised	(217,436)	(324,614)
	<u>248,564</u>	<u>141,386</u>
Total unused facility at 30 June		

12	EMPLOYEE BENEFITS		
	CURRENT		
	Employee entitlements	146,672	105,602
		<u>146,672</u>	<u>105,602</u>
	NON-CURRENT		
	Employee entitlements	44,507	36,601
		<u>44,507</u>	<u>36,601</u>

*Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

13	ISSUED CAPITAL		
	Issued and paid up ordinary shares	53,772,433	51,388,306

13a Movement in fully paid ordinary shares

	2020	2019	2020	2019
Ordinary Shares	Number of shares		\$	\$
1 July	280,221,192	199,050,664	51,388,306	49,371,354
Shares issued (net of costs)	19,999,999	79,920,528	2,223,144	1,917,577
Conversion and lapse of performance rights	-	1,250,000	-	99,375
Share issued upon the exercise of options	1,799,862	-	160,983	-
30 June	<u>302,021,053</u>	<u>280,221,192</u>	<u>53,772,433</u>	<u>51,388,306</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

13 ISSUED CAPITAL (Cont.)

13b Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shares rank after all other shareholders and creditors and are fully entitled to any proceeds from liquidation.

Ordinary shares issued as a result of the exercise of options, will rank equally and on the same terms and conditions as all other shareholders.

13c Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratios for the year ended 30 June 2020 and 30 June 2019 are as follows:

	NOTE	CONSOLIDATED 2020 \$	2019 \$
Total borrowings		2,028,853	997,634
Less: cash and cash equivalents		<u>(2,880,496)</u>	<u>(2,090,625)</u>
Net debt		(851,643)	(1,092,991)
Total equity		<u>8,526,270</u>	<u>7,387,483</u>
Total capital		<u><u>7,674,627</u></u>	<u><u>6,294,492</u></u>

14 RESERVES

Share-based payments reserve

1,955,644      1,907,392

The movement in the share-based payments reserve was as follows:

<b>2019</b>	No. of Performance Rights	No. of Options	Weighted Average Exercise Price \$	Balance \$
At 1 July	6,750,000	57,570,412	0.13	2,055,460
Performance rights converted	(1,250,000)	-	-	(99,375)
Performance rights lapsed	(5,500,000)	-	-	(48,693)
Options expired	-	(675,000)	0.16	-
At 30 June	-	<u>56,895,412</u>	0.13	<u>1,907,392</u>
<b>2020</b>	No. of Performance Rights	No. of Options	Weighted Average Exercise Price \$	Balance \$
At 1 July	-	56,895,412	0.13	1,907,392
Performance rights granted	4,000,000	-	-	48,252
At 30 June	<u>4,000,000</u>	<u>56,895,412</u>	0.13	<u>1,955,644</u>

35,750,000 options are exercisable as at 30 June 2020 (2019: 56,895,412).  
1,799,862 options were exercised during the year (2019: Nil).

The weighted average remaining contractual life of options outstanding at year-end was 0.04 years (2019: 1.04 years).  
The weighted average exercise price of outstanding options at the end of the reporting period was \$0.13 (2019: \$0.13).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

15 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions which are no more favourable than those available to other parties. The following transactions occurred with related parties:

	CONSOLIDATED	
	2020	2019
	\$	\$
Transactions with related parties:		
<i>The following transactions occurred with related parties:</i>		
Payments for goods from Nanollose Limited <sup>[1]</sup>	170,190	203,944
Payment for services to – Straight Lines Consultancy <sup>[2]</sup>	18,000	18,000

<sup>[1]</sup> Former Epichem Chairman, Wayne Best is Executive Chairman of Nanollose Limited.

<sup>[2]</sup> Non-Executive Director Sam Wright is Managing Director of Straight Lines Consultancy.

16 EARNINGS PER SHARE

Net (loss) attributable to members of the Company	1,361,990	1,551,222
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share.	296,032,074	219,329,568

16a Basic Earnings per Share

Basic earnings per share is determined by dividing the loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial period, adjusted for any bonus elements in ordinary shares issued during the year.

16b Diluted Earnings per Share

Diluted earnings per share is the same as basic earnings per share as there were no options on issue which would be potential ordinary shares.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, borrowings and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated	
		2020	2019
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	4	2,880,496	2,090,625
Loans and receivables (excluding GST)	5a	297,683	258,842
<b>Total financial assets</b>		<u>3,178,179</u>	<u>2,349,467</u>
<b>Financial liabilities</b>			
Trade and other payables	10	557,002	673,202
Borrowings	11	217,436	324,614
<b>Total financial liabilities</b>		<u>774,438</u>	<u>997,816</u>

**Specific Financial Risk Exposures and Management**

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and foreign exchange risk. Other minor risks are either summarised below or disclosed at Note 5 in the case of credit risk and Note 13 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

**Cash Flow Interest Rate Risk**

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Group does not have a formal policy in place to mitigate such risks.

**2020**

	Weighted Average Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Within 1 Year \$	Fixed Interest Rate Within 1-5 Years \$	Non-Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	0.58%	604,964	2,275,532	-	-	2,880,496
Trade and other receivables		-	-	-	297,683	297,683
<b>Total Financial Assets</b>		<b>604,964</b>	<b>2,275,532</b>	<b>-</b>	<b>297,683</b>	<b>3,178,179</b>
Financial liabilities						
Trade and other payables		-	-	-	(557,002)	(557,002)
Borrowings	6.2%	(217,436)	-	-	-	(217,436)
Lease liabilities	7.5%	-	(175,407)	(1,079,008)	-	(1,254,415)
<b>Total Financial Liabilities</b>		<b>(217,436)</b>	<b>(175,407)</b>	<b>(1,079,008)</b>	<b>(557,002)</b>	<b>(2,028,853)</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>387,528</b>	<b>2,100,125</b>	<b>(1,079,008)</b>	<b>(259,319)</b>	<b>1,149,326</b>

**2019**

	Weighted Average Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Within 1 Year \$	Fixed Interest Rate Within 1-5 Years \$	Non-Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	1.33%	2,025,071	65,554	-	-	2,090,625
Trade and other receivables		-	-	-	258,842	258,842
<b>Total Financial Assets</b>		<b>2,025,071</b>	<b>65,554</b>	<b>-</b>	<b>258,842</b>	<b>2,349,467</b>
Financial liabilities						
Trade and other payables		-	-	-	(673,020)	(673,020)
Borrowings	7.5%	(324,614)	-	-	-	(324,614)
<b>Total Financial Liabilities</b>		<b>(324,614)</b>	<b>-</b>	<b>-</b>	<b>(673,020)</b>	<b>(997,634)</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>1,700,457</b>	<b>65,554</b>	<b>-</b>	<b>(414,178)</b>	<b>1,351,833</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

**Interest rate sensitivity analysis**

At 30 June 2020 if interest rates had changed by 100 basis points during the entire year with all other variables held constant, profit for the year and equity would have been \$3,875 (2019: \$ \$17,004) lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

**Liquidity risk**

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

	CONSOLIDATED	
	2020	2019
	\$	\$
Contracted maturities		
Payables		
- within 1 year	557,002	673,020
	<u>557,002</u>	<u>673,020</u>
Borrowings		
- within 1 year	179,230	143,384
	<u>179,230</u>	<u>143,384</u>

**Price risk**

The Group is not exposed to price risk.

**Foreign exchange risk**

The Group is exposed to foreign exchange rate arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	USD	2020		USD	2019	
	\$	EUR	SEK	\$	EUR	NZD
	\$	\$	\$	\$	\$	\$
Trade receivables	140,157	556	-	132,492	-	-
Trade payables	26,478	-	925	21,998	-	-
	<u>140,157</u>	<u>556</u>	<u>-</u>	<u>132,492</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

**Foreign currency risk sensitivity analysis**

At 30 June, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the foreign currencies, with all other variables remaining constant is as follows:

	2020			2019		
	Change in profit and equity with a +/- 10% in AUD to					
	USD \$	EUR \$	SEK \$	USD \$	EUR \$	NZD \$
Trade receivables	13,379	53	-	12,646	-	-
Trade payables	2,527	-	88	2,099	-	-

**Net fair values**

For assets and other liabilities the net fair value approximates their carrying value. The Group has no financial assets where the carrying amount exceeds net fair values at reporting date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of profit or loss and other comprehensive income and in the notes to the financial statements.

18 INVESTMENT IN CONTROLLED ENTITIES

	COUNTRY OF CORPORATION	CLASS OF SHARES	EQUITY HOLDING	EQUITY HOLDING
			2020 %	2019 %
Parent Entity: PharmAust Limited	Australia	-	-	-
Name of Controlled Entity: Epichem Pty Ltd	Australia	Ordinary	100	100
Pitney Pharmaceuticals Pty Ltd	Australia	Ordinary	100	100

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

19 NOTES TO THE STATEMENT OF CASH FLOWS

19a Reconciliation of Cash

	CONSOLIDATED	
	2020	2019
	\$	\$
Cash at bank	2,880,496	2,090,625
19b Reconciliation of net cash used in operating activities to loss after income tax		
Loss after income tax	(1,361,990)	(1,551,222)
Loss on disposal of fixed assets	-	6,326
Depreciation	274,637	172,430
Share Based Payment	48,252	(148,068)
Interest on lease	96,586	-
Movement in assets and liabilities:		
Inventory	(245,753)	(37,801)
Receivables	(38,841)	(10,489)
Other assets	24,150	(6,266)
Payables	(116,019)	56,194
Provisions	48,976	(35,110)
Net cash used in operating activities	<u>(1,270,002)</u>	<u>(1,554,006)</u>

19c Non-cash Financing and Investing Activities

There were no non-cash financing and investing activities during the year (2019: \$nil).



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

20 SHARE-BASED PAYMENTS

The Company has recognised the following amounts as expenses relating to share-based payments for the year.

	2020 \$	2019 \$
Share-based payments to non-KMP – options	29,423	-
Share-based payments to KMP – performance rights	18,829	-
<b>Total</b>	<b>48,252</b>	<b>-</b>

**Share-based payments to KMP – performance rights**

During 2020, 4,000,000 performance rights were issued to KMP. The performance rights have no exercise price and a number of vesting conditions. 2,000,000 of the performance rights expire 30 April 2022 and 2 000,000 expire 31 October 2022. \$18,829 has been recognised in employee benefits expense with respect to these performance rights.

**Share-based payments to non-KMP – options**

During the current year the following options were issued to non-KMP

Name	Grant Date	Expiry Date	Exercise Price	Number	Expense
Alto Capital	26-Jul-19	1-Jul-22	\$0.065	1,000,000	11,954
JP Equity	28-Aug-19	30-Jun-22	\$0.15	500,000	17,469
					<b>29,423</b>

The fair values of the options granted in 2020 were calculated using the Black-Scholes option pricing model applying the following inputs:

Name	Options	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate	Expiry Date	Fair Value at Grant Date
Alto Capital	1,000,000	\$0.04	\$0.07	71%	0%	0.975%	1-Jul-22	\$0.01
JP Equity	500,000	\$0.10	\$0.15	71%	0%	0.955%	30-Jun-22	\$0.04

The 1,500,000 Options granted to consultants in 2020 were valued at the fair value of services provided which was determined to be \$29,423.

The valuation of these options was recognised as share-based payment expense immediately as options vest immediately.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

21 KEY MANAGEMENT PERSONNEL

21a Remuneration of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2020 and 30 June 2019.

The totals of remuneration paid to key management personnel of the consolidated entity during the year are as follows:

	CONSOLIDATED	
	2020	2019
	\$	\$
Short term employee benefits	1,152,689	868,888
Post-employment benefits	90,567	54,319
Share based payment	18,829	-
	1,262,085	923,207

22 COMMITMENTS

Office lease commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements:

Payable – minimum lease payments

- Not later than 12 months

- Between 12 months and 5 years

- Later than 5 years

Minimum lease payments

	CONSOLIDATED	
	2020	2019
	\$	\$
- Not later than 12 months	-	162,685
- Between 12 months and 5 years	-	650,741
- Later than 5 years	-	163,589
Minimum lease payments	-	977,015

Following the application of AASB 16 Leases, non-cancellable operating leases have now been recognised in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 23 SEGMENT REPORTING

#### Segment Information

##### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

##### Descriptions of segments

- i. *Corporate*  
The corporate segment covers all the corporate overhead expenses.
- ii. *Pharmaceutical*  
The pharmaceutical segment provides products and services in synthetic and medicinal chemistry to the drug discovery and pharmaceutical industries.

##### Basis of accounting for purposes of reporting by operating segments

###### a. Accounting policies adopted

All amounts reported to the Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in these financial statements.

###### b. Intersegment transactions

There are intersegment sales and purchase within the consolidated entity.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

###### c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

###### d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

23 SEGMENT REPORTING(Cont'd)

The consolidated entity operates in two business segments as disclosed below:

i) Segment Performance

**Consolidated**

<b>2020</b>	<b>Corporate</b>	<b>Pharmaceutical</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
External sales	-	3,221,414	3,221,414
Other external revenue	807,683	228,194	1,035,877
Total segment revenue	807,683	3,449,608	4,257,291
Inter-segment elimination			(133,880)
Total revenue per statement of comprehensive income			4,123,411
<b>Results</b>			
Segment result from continuing operations before tax	(1,575,668)	213,678	(1,361,990)

**Consolidated**

<b>2019</b>	<b>Corporate</b>	<b>Pharmaceutical</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
External sales	-	3,670,457	3,670,457
Other external revenue	652,079	42,018	694,097
Total segment revenue	652,079	3,712,475	4,364,554
Inter-segment elimination			-
Total revenue per statement of comprehensive income			4,364,554
<b>Results</b>			
Segment result from continuing operations before tax	(1,936,221)	384,999	(1,551,222)

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

23 SEGMENT REPORTING (Cont.)

ii) Segment assets and liabilities

<b>Consolidated</b>	<b>Corporate</b>	<b>Pharmaceutical</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2020</b>			
<b>Segment assets</b>			
Segment assets	2,757,269	7,989,033	10,746,302
Total assets of the consolidated entity:	<u>2,757,269</u>	<u>7,989,033</u>	<u>10,746,302</u>
<b>Segment liabilities</b>			
Segment operating liabilities	(257,327)	(1,962,706)	(2,220,033)
Total liabilities of the consolidated entity:	<u>(257,327)</u>	<u>(1,962,706)</u>	<u>(2,220,033)</u>
<b>Consolidated</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2019</b>			
<b>Segment assets</b>			
Segment assets	1,974,139	6,621,578	8,595,717
Total assets of the consolidated entity:	<u>1,974,139</u>	<u>6,621,578</u>	<u>8,595,717</u>
<b>Segment liabilities</b>			
Segment operating liabilities	(327,419)	(812,418)	(1,139,837)
Total liabilities of the consolidated entity:	<u>(327,419)</u>	<u>(812,418)</u>	<u>(1,139,837)</u>

ii) Revenue by geographical region

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue by geographical region</b>		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Switzerland	1,240,000	1,274,180
Australia	1,791,390	1,431,837
USA	870,978	1,452,066
Others	221,042	206,471
Total revenue	<u>4,123,410</u>	<u>4,364,554</u>
<b>Assets by geographical region</b>		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	10,746,301	8,595,717
Total assets	<u>10,746,301</u>	<u>8,595,717</u>

**Major customers**

The consolidated entity has a number of customers to which it provides both products and services. The consolidated entity supplies a single external customer within the pharmaceutical segment who accounts for 39% of external revenue (2019: 35%). The next most significant customer accounts for 22% (2019: 34%).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

24 CONTINGENT LIABILITIES

The consolidated entity has no contingent liabilities as at 30 June 2020.

25 PARENT INFORMATION

<b>Statement of Financial Position</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Assets		
Current assets	4,182,377	3,395,759
Non-current assets	3,438,990	3,439,990
Total assets	<u>7,621,367</u>	<u>6,835,749</u>
Liabilities		
Current liabilities	491,390	561,482
Non-current liabilities	-	-
Total liabilities	<u>491,390</u>	<u>561,482</u>
Equity		
Issued capital	53,772,433	51,388,306
Reserves	1,955,644	1,907,392
Accumulated losses	(48,598,100)	(47,023,431)
Total equity	<u>7,129,977</u>	<u>6,272,267</u>
Statement of profit or loss and other comprehensive income		
Loss for the year	(1,575,669)	(1,935,951)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(1,575,669)</u>	<u>(1,935,951)</u>

**Guarantees**

PharmAust Limited is a guarantor of a debt facility for its fully owned subsidiary Epicchem during the year as disclosed in Note 11.

**Other Commitments and Contingencies**

PharmAust Limited has no commitments to acquire property, plant and equipment and has no contingent liabilities other than those disclosed in Note 24.

26 ACCUMULATED LOSSES

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at beginning of the financial year	(45,839,818)	(44,288,596)
(Loss) after income tax for the year	(1,361,990)	(1,551,222)
Accumulated losses at the end of the financial year	<u>(47,201,808)</u>	<u>(45,839,818)</u>

27 EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end the following transactions took place:

On 7 July 2020, the Company issued 4,400,000 fully paid ordinary shares based on the exercise of 650,000 unlisted options at 8c per option raising \$52,000 for the Company, exercise of 3,500,000 unlisted options at 12c per option raising \$420,000 for the Company and the exercise of 250,000 unlisted options at 15c per option raising \$37,500 for the Company.

On 10 July 2020, the Company issued 1,000,000 fully paid ordinary shares based on the exercise of 500,000 unlisted options at 8c per option raising \$40,000 for the Company and exercise of 500,000 unlisted options at 12c per option raising \$60,000 for the Company.

On 15 July 2020, the Company issued 1,050,000 fully paid ordinary shares based on the exercise of 100,000 unlisted options at 8c per option raising \$8,000 for the Company and exercise of 950,000 unlisted options at 12c per option raising \$114,000 for the Company.

On 17 July 2020, the Company issued 2,625,000 fully paid ordinary shares based on the exercise of 125,000 unlisted options at 8c per option raising \$10,000 for the Company and exercise of 2,500,000 unlisted options at 12c per option raising \$300,000 for the Company.

On 24 July 2020, the Company issued 3,400,000 fully paid ordinary shares based on the exercise of 900,000 unlisted options at 8c per option raising \$72,000 for the Company and exercise of 2,500,000 unlisted options at 12c per option raising \$300,000 for the Company.

On 31 July 2020, the Company issued 900,000 fully paid ordinary shares based on the exercise of 900,000 unlisted options at 8c per option raising \$72,000 for the Company.

On 7 August 2020, the Company issued 200,000 fully paid ordinary shares based on the exercise of 200,000 unlisted options at 8c per option raising \$16,000 for the Company.

On 31 August 2020, the Company issued 250,000 fully paid ordinary shares based on the exercise of 250,000 unlisted options at 8c per option raising \$20,000 for the Company.

On 9 September 2020, the Company announced that Elanco Animal Health would not proceed with exercise of the option to develop Monepantel for veterinary cancers.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than:

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

28 AUDITOR'S REMUNERATION

Remuneration of RSM Australia Partners as auditor for:  
 - auditing or reviewing the financial report  
 - taxation services

CONSOLIDATED	
2020	2019
\$	\$
73,000	67,000
14,250	15,500
<u>87,250</u>	<u>82,500</u>

## SHAREHOLDER INFORMATION

Additional information required by ASX Limited Listing Rules, and not disclosed elsewhere in this report.

### SHAREHOLDINGS

Mr Graham Darcy is a substantial shareholder holding a relevant interest in 22,000,000 shares representing 6.97% of voting power and has notified the Company in accordance with section 671B of the Corporations Act 2001.

### CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- (a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options on issue.

### ORDINARY FULLY PAID SHARES as at 14 September 2020

Range	Total holders	Units	% Units
1 - 1,000	229	74,872	0.02
1,001 - 5,000	673	2,278,447	0.72
5,001 - 10,000	559	4,448,465	1.41
10,001 - 100,000	1,437	53,014,057	16.78
100,001 Over	420	256,030,212	81.06
<b>Rounding</b>			<b>0.01</b>
<b>Total</b>	<b>3,318</b>	<b>315,846,053</b>	<b>100.00</b>

### Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.1300 per unit	3,847	633	1,108,243

There is no current on-market buy back taking place.

During the reporting period the Company used its cash and assets in a manner consistent with its business objectives.



## SHAREHOLDER INFORMATION (CONT.)

### TWENTY LARGEST SHAREHOLDERS (as at 14 September 2020)

Rank	Name	Units	% Units
1	HYBRID HOLDINGS PTY LTD <DARCY FAMILY SUPER FUND A/C>	22,100,000	7.00
2	MR GERALD JAMES VAN BLOMMESTIEN + MRS GILLIAN VAN BLOMMESTEIN <VAN BLOMMESTEIN S/F A/C>	16,042,640	5.08
3	DR ROGER ASTON	15,044,815	4.76
4	Longbow Croft Capital Pty Limited	8,200,058	2.60
5	MR MARCUS PAUL HUGHES	6,000,000	1.90
6	MR PETER HOWELLS	3,790,000	1.20
7	MISS RUTH AMANDA STROPPIANA	3,762,490	1.19
8	C DARCY + D SIMPSON <SIMDAR 1994 SUPER FUND A/C>	3,725,458	1.18
9	MR JOHN LEWIS YOUNG + MRS SUSAN WENDY YOUNG <MENDIP HILLS SUPER FUND A/C>	3,622,412	1.15
10	MR RODNEY JOSEPH PETER ADKINS + MS ANNE-MARIE ADKINS <RAM SUPER FUND A/C>	3,558,500	1.13
11	MR DOUGLAS BREWSTER KITCHEN	3,550,941	1.12
12	MR ROGER BOWMAN	3,500,000	1.11
13	MAGEE HOLDINGS PTY LTD <PLM SUPER FUND A/C>	3,000,000	0.95
13	STRAIGHT LINES CONSULTANCY PTY LTD <STRAIGHT LINES CONSULT A/C>	3,000,000	0.95
15	MISS YUAN ZHANG	2,800,000	0.89
16	ALTA HOLDINGS PTY LTD <STILLWATER A/C>	2,749,287	0.87
17	MR MICHAEL PHILIP EASTERBROOK	2,650,000	0.84
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,530,515	0.80
19	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,484,915	0.79
20	CITICORP NOMINEES PTY LIMITED	2,483,964	0.79
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>114,595,995</b>	<b>36.28</b>
<b>Total Remaining Holders Balance</b>		<b>201,250,058</b>	<b>63.72</b>