

PharmAust Limited
for the financial year ended 30 June 2022

Appendix 4E

Preliminary Final Statements to the Australian Securities Exchange

PharmAust Limited and its controlled entities
ABN 35 094 006 023

Reporting period – For the year ended 30 June 2022

Previous period – For the year ended 30 June 2021

Results for Announcement to the Market

	30 June 2022	30 June 2021	Change	Change
	\$	\$	\$	%
Revenue	4,510,705	3,671,645	839,060	23
(Loss) for the year after tax from continuing operations	(1,708,209)	(1,337,310)	(370,899)	-28
(Loss) attributable to members of the parent entity	(1,708,209)	(1,337,310)	(370,899)	-28

Dividends

No dividends have been declared or paid during the financial year ended 30 June 2022.

Operating Results

The results of the consolidated entity for the year ended 30 June 2021 was a loss, after income tax expense of \$1,708,209 (2021: loss of \$1,337,310)

Financial Position

The net assets of the consolidated entity were \$8,880,484 as at 30 June 2022 (30 June 2021: \$7,844,434).

Dividends

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

Significant Changes in State of Affairs

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

	30 June 2022	30 June 2021
	Cents	Cents
Net Tangible Assets per Security	1.49	1.81

Control gained over entities and loss of control over entities

The consolidated entity did not gain or lose control over any entity.

Details of associates and joint venture entities

The company has no associates or joint venture entities.

PharmAust Limited
for the financial year ended 30 June 2022

Status of Audit

The 30 June 2022 financial report and accompanying notes for PharmAust Limited have been audited and attached to the appendix 4E.

A handwritten signature in black ink, appearing to read 'Sam Wright', with a small mark at the end of the signature.

Sam Wright
Director & Company Secretary



ABN 35 094 006 023

Annual Report

2022



Pitney Pharmaceuticals
Pty Limited



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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Sam Wright

REGISTERED OFFICE

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Claremont, Western Australia 6010
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PRINCIPAL PLACE OF BUSINESS

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ASX CODE: PAA

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Bentley WA 6102

SHARE REGISTRY

Computershare Investor Services Pty Limited
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Perth, Western Australia 6000

AUDITORS

RSM Australia Partners
2 The Esplanade
Perth, Western Australia 6000

SOLICITORS

Fairweather Corporate Lawyers
Suite 2, 589 Stirling Highway
Cottesloe, Western Australia 6011

STOCK EXCHANGE

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

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity consisting of PharmAust Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

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 Neville Bassett	Non-Executive Director
Mr Robert Bishop	Executive Director
Mr Sam Wright	Non-Executive Director & Company Secretary

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, viral and neurological diseases, 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 2022 was a loss, after income tax expense of \$1,708,209 (2021: loss of \$1,337,310).

Financial Position

The net assets of the consolidated entity were \$7,844,434 as at 30 June 2022 (2021: \$8,880,484).

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 specialises on repurposing approved and marketed products and is currently focused on developing therapeutics for cancer, neurodegenerative diseases and viral infections in humans. PharmAust's veterinary programme, now approaching the commercialisation phase, is aimed at cancer for pet dogs. PharmAust's lead molecule for this purpose is monepantel (MPL). MPL is a veterinary drug registered and owned by a major pharmaceutical company for use as an anti-parasitic in many global jurisdictions, however key patents owned by Major Pharma are due to expire in key territories in 2024 and 2025. 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 Motor Neurone Disease, 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 food chain 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 developer of aminoacetonitriles such as MPL, to acquire the rights to a suite of closely related MPL analogues. PharmAust's second 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 associated with the inhibition of the mTOR pathway by this drug class in cancer, viral infections such as those that lead to COVID-19, and neurodegeneration.

Phase II Canine Trials

PharmAust has made significant progress in the clinical trials of its primary drug candidate, Monepantel (MPL). The commercial target is to develop and partner a product that supersedes the use of prednisolone alone and can reduce or replace the use of chemotherapy in dogs.

During Phase 2a and Phase 2b studies in canines, MPL demonstrated effective anti-cancer activity, which supports continued development into Phase 3 registration trials.

PharmAust has determined an optimum drug plasma range for anti-cancer activity and minimal side effects.

Of the 16 pet dogs with assayed plasma levels > optimum dose, 13 have achieved stable lesions. This includes one dog with a partial response (60% regression). 9 of the 16 dogs with plasma levels > optimum dose have achieved stable disease by RECIST (Response Evaluation Criteria in Solid Tumours). Side effects were minimal or not detected.

In comparison, the most common side effects of a dog being treated with chemotherapy include gastrointestinal effects (vomiting, diarrhea or loss of appetite) and decreases in blood cell counts. Also, during chemotherapy, owners need to take precautions when handling their pets and their waste. Drugs may be excreted in the urine and faeces, so it is not advisable for children to play with their pets for a therapy specific duration.

Post-trial, some veterinarians and the respective pet owners have elected to continue MPL treatment and, sometimes, in combination with prednisolone. The combination of MPL with prednisolone has provided average extension of survival to these pet dogs of 16-24 weeks, more than double the life expectancy than standard of care (palliative steroid therapy) that typically provides for 6-8 week survival in association with a range of adverse events. Canines treated with MPL during the trial and after the trial at this optimum level experienced a high quality of life and minimum adverse events were reported. These canine outcomes bode well for further human cancer trials.

Discussions have commenced for FDA registration and GCP implementation.

PharmAust is in confidential discussions with a leading global pharmaceutical company to co-develop and commercialise MPL for the treatment of veterinary cancers. Dialogue with other potential partners are continuing.

Plans are to continue and expand the current trial in Australia, New Zealand and the USA for registration of MPL as an anticancer drug in canines with B-cell lymphoma. A number of canine patients have already been recruited for canine trials in New Zealand.

In May 2022, PharmAust announced an agreement with Pathway Vet Alliance T/A Thrive Pet Healthcare and Heart of Texas (HoT) Veterinary Specialty Centre in the USA to join the MPL pet dog B cell lymphoma trial. PharmAust sent sufficient tablets for HoT to treat up to 10 dogs in the first canine monepantel pilot study conducted in the US

Trial recruitment continues in Australia with PharmAust successfully fulfilling interim Phase 2 trial endpoints. 27 pet dogs have now been treated using MPL monotherapy. With continued positive outcomes, PharmAust is preparing for a successful Phase 2 completion and the commencement of a subsequent registration trial.

Phase II Human Cancer Trial

Further to the responses and outcomes in canines, PharmAust continues to take key steps towards progressing the evaluation of MPL in human trials. Clinical interest has focused on leukaemia, glioblastoma, oesophageal, gastrointestinal, ovarian and pancreatic cancers.

Factors Supporting PharmAust's Focus on MPL as an Anti-Cancer Drug:

1. The successful reformulation of MPL by BRI/Catalent into a robust and suitable tablet formulation.
2. Demonstration of MPL activity against naturally occurring B-cell lymphoma in dogs; especially the demonstration of a > 60% reduction in tumour burden and disappearance of several tumours in one dog.
3. Demonstration of activity against a key cancer marker in humans and canines.
4. Demonstration of and better understanding of the very good safety profile in animals tested to date, as well as the human participants in the clinical trial conducted at the Royal Adelaide Hospital.
5. Extensive preclinical R&D package evaluating MPL in many cancers and in many species.
6. Publications in peer-review journals describing anti-cancer activity of MPL in preclinical models.
7. The fact that MPL is already approved for the treatment of parasitic infections in farm animals, which implies that the drug has received extensive regulatory consideration as it is used in food-chain animals.
8. The provision by Elanco of 25 kg of GMP-quality MPL.
9. The independent capacity to produce GMP-quality MPL and the GMP-quality Pitney-owned MPL analogues using an alternative method with an alternative company.
10. The provision of the comprehensive regulatory package by Elanco, enabling data cross reference for successful discussions with regulatory bodies.

Phase I/II Human Trial in Motor Neurone Disease

PharmAust previously announced it has received a funding commitment of A\$881,085 for a Phase I/II trial examining the effects of MPL in Motor Neurone Disease (MND), otherwise known as Lou Gehrig's disease or Amyotrophic Lateral Sclerosis (ALS).

These funds have been granted by FightMND, the largest independent funder of MND research in Australia. The trial will be overseen by Dr Susan Mathers of Calvary Health Care, Bethlehem, Melbourne and will include a second trial site headed by Professor Dominic Rowe of the Centre for Motor Neurone Disease Research Faculty of Medicine and Health Research at Macquarie University in Sydney. The funding agreement provides that PharmAust shall own all intellectual property generated from the trial.

PharmAust has received the first and second instalment payments from FightMND in the total amount of A\$300,845. The first instalment was dependent on PharmAust commencing manufacture of cGMP (current Good Manufacturing Practice) grade MPL tablets. The second instalment was paid after the completion of the 1-month GMP accelerated stability of the newly prepared MPL tablets.

The third instalment of A\$173,035 is payable upon recruitment of the first patient.

Further instalments for a total commitment of A\$881,085 will be paid by FightMND to PharmAust as additional milestones relating to the clinical trial are met.

In April 2022, PharmAust announced the appointment of Alithia Life Sciences Pty Ltd to manage the Phase 1/2 trial. Alithia will provide project and site management and support of for the study. The appointment is fully funded through the Drug Development grant awarded by FightMND.

Protocols and ethics/regulatory approvals are in place for the evaluation of MPL in Motor Neurone Disease. The trial will test the safety and tolerability of MPL in patients living with MND. The trial is also set up to look for signs that MPL can slow the progression of MND. This data, in conjunction with concurrent animal studies, will determine whether MPL should go on to be tested in larger Phase 2 studies.

With success in the clinic, PharmAust expects that in due course MPL could receive orphan drug designation by the FDA for the indication of motor neurone disease. Such designations come with a number of financial and supportive benefits. The Orphan Drug Act provides for granting special status to a drug or biological product to treat a rare disease or condition upon request of a sponsor.

PharmAust will report on the recruitment and treatment of the first patient that fulfills the inclusion criteria and provide updates thereafter.

Factors Supporting PharmAust's Focus on MPL as an Anti-Neurodegenerative Disease Drug:

1. Precedent published literature implicates mTOR pathways in the control of neurological diseases.
2. PharmAust has published preclinical research demonstrating that MPL impinges upon molecular cascades relevant to correct induction of autophagic flux relevant to the clearance of misfolded neurodegenerative causing proteins.
3. PharmAust has demonstrated MPL's capacity to cross the blood brain barrier, making MPL a rare drug that inhibits mTOR signaling while being able to act directly on the brain following oral administration as a tablet.
4. MPL's strong safety profile in the clinic and in animal models including the veterinary cancer studies will support development through Phase I/II trials for the tablet.
5. PharmAust has secured funding and human research ethics clearance to support this trial. Two clinicians have already been recruited to run this trial in two independent sites.

COVID-19 Testing

PharmAust has been identifying clinical centres capable of sourcing patients with the required COVID-19 progression and vaccination status. PharmAust requires unvaccinated patients with progressive infection in order to satisfy the inclusion criteria for determining anti-viral activity. Ukraine was one of the countries initially proposed, however, this is of course no longer tenable, and the Company re-focused the search in other smaller Eastern EU and some non-EU states that have large populations of unvaccinated patients.

Encouragingly, three clinical centres in Romania and Bosnia [not in EU] have expressed interest in participating and recruiting sufficient numbers of qualifying patients for the study.

Next steps include providing protocols for the study and qualification of the identified clinical centres. We continue to search for contingency sites including in Poland. This critical step of site selection, both in terms of clinical suitability and patient recruitment numbers, has resulted in an unavoidable delay in the commencement of the Phase 1 COVID-19 trial.

However, this has enabled us to further review the trial rationale and, given the timing of the commencement of the MND trial, the Board has decided to rely on the MND trial to provide the important Phase 1 pharmacokinetic (PK) data for both the MND and COVID-19 trials. We believe this will allow PharmAust to undertake a Phase 2 study in COVID-19 rather than a Phase 1 study.

PharmAust has engaged *Ergomed Clinical Research*, a subsidiary of the London Stock Exchange listed Ergomed plc (LON: ERGO) to be the contract research organisation (CRO) for the COVID-19 clinical trials. Ergomed has previously advised that COVID-19 infected patients generally prefer participating in a Phase 2 study (instead of Phase 1) – so conducting a Phase 2 study will facilitate faster recruitment.

From a timing viewpoint, the Phase 2 will now take place 6-9 months earlier than it would have had we conducted a Phase 1 prior. From a financial viewpoint, an expedited study into Phase 2 will also benefit PharmAust, saving it of around \$1.5 million.

HTLV-1 Testing

During the financial year, PharmAust executed a Research Services Agreement with the Walter and Eliza Hall Institute (WEHI), Melbourne to investigate the effects of monepantel (MPL) upon human T-lymphotrophic virus-1 (HTLV-1) infections *in vitro*.

WEHI demonstrated that MPL and MPLS can kill HTLV-1-transformed leukaemia cell lines and inhibit HTLV-1 protein production, as measured by *in vitro* assays. The ability of MPL to induce cell death of HTLV-1 transformed cells is greater than that in a control non-transformed cell line (Jurkat). These data performed in triplicate indicate that MPL may interfere with the complex HTLV-1 lifecycle. Further investigation using pre-clinical models may be warranted to understand the mechanism, and ability of MPL to slow disease progression during HTLV-1 infection.

This work follows upon PharmAust's COVID-19 program, aiming to further understand the anti-viral activity of MPL and to broaden the scope of targets for MPL's use. The study of HTLV-1 is of particular significance due to the readily available nature of highly and particularly relevant *in vitro* and *in vivo* preclinical virus infection models, potentially providing PharmAust with further data to support future human trials.

Factors Supporting PharmAust's Focus on MPL as an Antiviral Drug:

1. Precedent published literature is suggestive that, if targeted appropriately, inhibition of mTOR pathways may act in an anti-viral capacity.
2. Now with more certainty, PharmAust has demonstrated MPL's activity against virus amplification during infection in African Green Monkey kidney cells *in vitro*.
3. Now with more certainty, PharmAust has demonstrated MPL's activity against COVID-19 secondary infectivity in African Green Monkey kidney cells and human Calu cells *in vitro*. Antiviral activity has been confirmed in three independent laboratories.
4. Demonstration that *in vitro*, MPL's anti-viral activity can be attained at blood concentrations that are readily attainable using the tablet.
5. WEHI shows MPL and MPLS kill HTLV-1 transformed leukaemia cell lines
6. WEHI shows MPL and MPLS inhibit HTLV-1 protein production
7. MPL's strong safety profile in the clinic and in animal models including the veterinary cancer studies will support development through Phase I/II trials for the tablet as a COVID-19 anti-viral therapeutic.

EPICHEM PTY LTD - 100% OWNED SUBSIDIARY

Epichem, a fully owned subsidiary of PharmAust, is an 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.

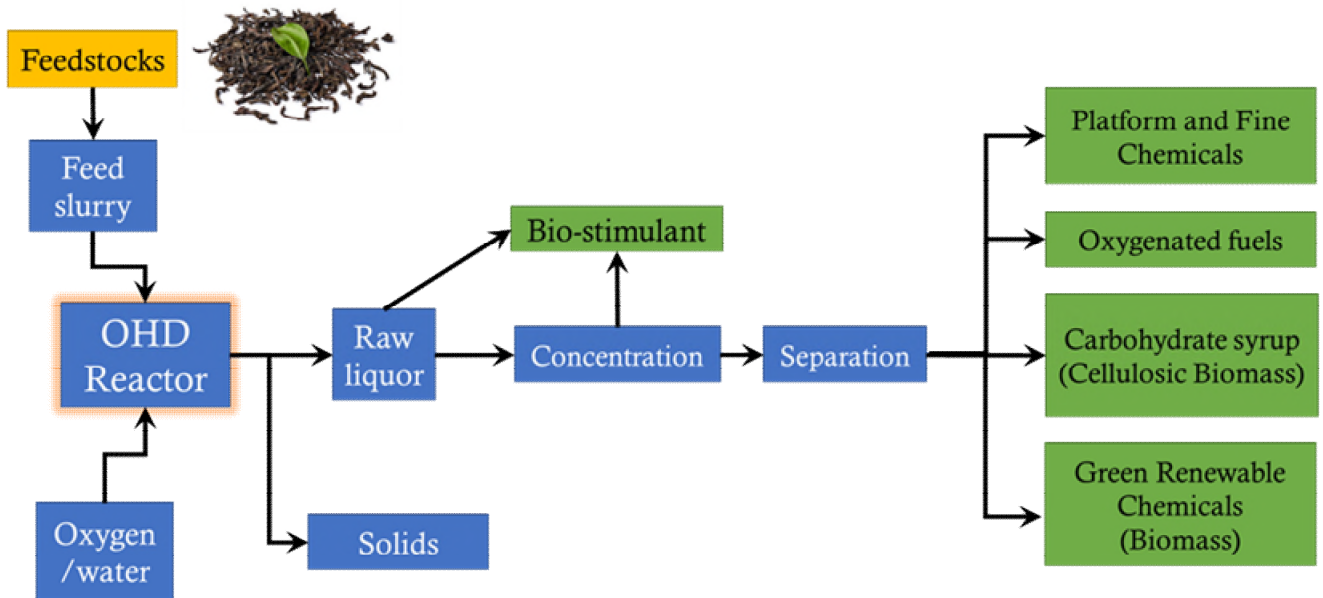
Epichem continues to pursue opportunities to create its own IP portfolio with the assignment of specific projects to individual chemists. This will also allow Epichem to maximise the R&D Tax Incentive as well as act as an R&D project incubator for PharmAust.

Waste-To-Fuel Technology

As previously announced, Epichem entered into a licensing agreement with Illinois-based Thermoquatica Inc to research, develop and promote a novel, innovative and disruptive waste to fuels technology. The technology is a world-first because of its potential to turn a wide range of waste and biomass feedstock into valuable fuels, fine chemicals, agricultural growth stimulants and ethanol.

The Company sees this as a low cost but high potential initiative in a very scalable and disruptive business that may have multiple uses and customers. Epichem is capitalising on recent Australian policies at national, state and local government levels towards zero organic waste to landfill.

Epichem continues to advance its innovative, novel and disruptive waste conversion and re-purposing technology, Oxidative Hydrothermal Dissolution (OHD). A benchtop flow reactor has been built and commissioned for operation. Proof of concept work has been carried out and determined on Coal and Ligno-cellulosic Biomass.



WasteSorted e-waste Grant

Epichem has completed a WA Government New Industries Fund WasteSorted e-waste Grant project to convert e-waste using OHD. The grant funding supported Epichem's use of Oxidative Hydrothermal Dissolution technology to convert e-waste into useful end products, recover valuable metals and produce useful high value chemicals. The research and development program supported a new and innovative solution to process collected e-waste and reduce the amount of e-waste ending up in landfill. The WasteSorted e-Waste grants support the WA Waste Avoidance and Resource Recovery Strategy 2030 objectives - to avoid waste, recover more value and resources from waste and protect the environment from the impacts of waste

Epichem is also partnering with the Curtin University WA School of Mines to research and develop OHD for use in mineral extraction. This project will investigate the potential of OHD liquors for hydrometallurgy and mineral processing applications.

Epichem is also in confidential discussions with organisations to validate the conversion and re-purposing potential of their respective feedstock and biomass.

Epichem Awarded Grant for Recycling Pilot

Epichem was awarded a \$45,200 Challenge Grant from NERA (National Energy Resources Australia) as part of NERA's challenge fund.

The Generater open innovation challenge program will fund a pilot for Epichem's OHD technology to assist a multinational oil and gas energy company in providing a carbon neutral solution for recycling plastic waste. The OHD process liquefies plastic, changing its chemical structure to the extent that the reformed plastic is biodegradable or can be repurposed into another end-product. This solution has application across other industries and sectors where plastic waste is prevalent.

This partnership, made possible through NERA's Generater program, involves Epichem assisting a multinational oil and gas energy company in improving plastic recycling across operations in WA, Qld and the NT, using its novel circular economy waste recycling solution that converts plastics into reusable products.

Epichem will use a process that liquefies plastic, changing its chemical structure to make it biodegradable or able to be repurposed into another end-product. This solution has applications across other industries and sectors where plastic waste is prevalent.

Epichem are excited to progress to the pilot phase of the program and demonstrate our technology's application in the energy resources sector.

Epichem Awarded WA Exporter of the Year for International Health

Epichem was recently recognised and awarded as the 2021 WA Exporter of the Year for International Health. Epichem has been widely recognised having won the coveted WA Exporter Award on five occasions and is in the WA Export Hall of Fame.

Drugs for Neglected Diseases initiative (DNDi)

On 13 December 2021, Epichem was awarded an extension to its current contract with Drugs for Neglected Diseases *initiative* (DNDi) (www.dndi.org).

The contract renewal will see Epichem continue to provide its synthetic and medicinal chemistry expertise to support DNDi's drug discovery projects, aimed at developing new treatments for neglected diseases, until 31st December 2022. The extension is expected to generate up to AUD\$1.02M in revenues for Epichem during CY 2022.

Fiona Milner appointed Epichem General Manager

Epichem was pleased to announce that experienced pharmaceutical executive Fiona Milner has joined Epichem as its new General Manager commencing 29 June 2022.

Ms Milner has 25 years' experience working in multinational companies in the pharmaceutical industry.

Most recently she was the Regional Sales Manager for Novartis Pharmaceuticals and has held a number of roles in this organisation over the last 14 years. She received the International First Line Manager Award in 2011 and 2019 from Novartis' Global CEO in Basel, Switzerland (one of only 35 recognised across the globe). She was also nominated for the 'Telstra Business Woman of the Year' Award in 2010 and 2011.

Prior to this, Ms Milner was the State Manager at pharmaceutical company Sanofi Aventis, a role she held for 11 years. Notably during her tenure, she grew and led the WA State branch in 2007 to contribute a Business Unit Total of \$56.4M to national sales. She received the Sanofi State of the Nation award six times and was also awarded Manager of the Year.

Ms Milner is based in Perth and holds a Bachelor of Science (BSc) in Zoology and Physiology as well as Diploma of Education majoring in Science and Mathematics.

Resignation of Dr Mollard and integration of Epichem services

On 27 May 2022, PharmAust announced that Dr Richard Mollard, tendered his resignation and gave the Company six months' notice as required under his contract. Richard's final day with the Company was 6 July 2022.

The Board have improved efficiency regarding personnel and staffing by leveraging Epichem's existing infrastructure.

PharmAust intends to capitalise on Epichem's expertise and networks across the pharmaceutical industry and to integrate the Chief Scientific Officer role as much as possible to reduce duplication of costs.

PHARMAUST LTD – PARENT ENTITY

Annual General Meeting

The Annual General Meeting of the Shareholders of PharmAust Limited was held on 21 October 2021 as a virtual meeting. All resolutions were passed by a poll.

PharmAust receives \$708k R&D Tax Incentive Refund

Following approval from the ATO of the Company's application for a Research and Development rebate, an amount of \$708,113 was deemed refundable on PharmAust's 2021 Tax Return and paid to PharmAust in April 2022.

COVID-19 pandemic impact

The Company was impacted 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.

Due to the impact of COVID-19 on global supply chains, Syngene advised PharmAust that the production of 10kg of GMP-grade MPL was delayed. Regrettably, the subsequent commencement of human trials in MND, COVID-19 and cancer were therefore delayed.

PharmAust Executive Chairman, Dr Roger Aston, said "These are challenging times for our contractors, our partners, our employees and for PharmAust shareholders. Despite the significant challenges ahead, PharmAust is well positioned to work with all parties to address the current challenging environment."

Significant Changes in State of Affairs

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

Subsequent Events

On 27 May 2022, PharmAust announced that Dr Richard Mollard, tendered his resignation and gave the Company six months' notice as required under his contract. Richard's final day with the Company was 6 July 2022.

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 2022, 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.

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.

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

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 and 3,649,904 Listed PAAO Options
Contractual rights to shares	Nil
Other Current Directorships (ASX Listed Companies)	Immuron Limited (ASX:IMC) and ResApp Health Limited (ASX:RAP)
Previous Directorships (last 3 years) ASX Listed Companies	Oncosil Limited (ASX: OSL)
Special responsibilities:	Not applicable

Mr Robert C Bishop – Executive Director

Qualifications	LL.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 holds 9,211,060 Fully Paid Ordinary Shares and 2,302,766 Listed PAAO Options
Contractual rights to shares	Nil
Other Current Directorships (ASX Listed Companies)	Nil
Previous Directorships (last 3 years) ASX Listed Companies	Nil
Special responsibilities:	Not applicable

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 and 1,750 Listed PAAO Options
Contractual rights to shares	Nil
Other Current Directorships (ASX Listed Companies)	Auris Minerals Limited, Bulletin Resources Ltd, Pointerra Limited, and Tennant Minerals Ltd
Previous Directorships (last 3 years) ASX Listed Companies	Nil
Special responsibilities:	Not applicable

Mr Sam Wright – Non-Executive Director & Company Secretary

Qualifications	AFin DipAcc ACIS MAICD
Experience	Sam Wright has twenty 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 is currently a Director of ASX listed companies, PharmAust Limited, Reach Resources Limited and Structural Monitoring Systems plc. Mr Wright is Company Secretary for ASX listed companies, Buxton Resources Limited and Wide Open Agriculture Limited. He also fills the role of Director and Company Secretary with several 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 holds 3,500,000 ordinary shares in PharmAust Limited and 875,000 Listed PAAO Options
Other Current Directorships (ASX Listed Companies)	Reach Resources Ltd (ASX: RR1) & Structural Monitoring Systems plc (ASX:SMN)
Previous Directorships (last 3 years) ASX Listed Companies	Nil
Special responsibilities:	Not applicable

Meetings of Directors

The number of meetings of the Company's directors held during the year ended 30 June 2022, and the number of meetings attended by each director was:

Directors	Meetings of Directors	
	Eligible to Participate	Number Attended
Dr Roger Aston	2	2
Mr Neville Bassett	2	2
Mr Robert Bishop	2	2
Mr Sam Wright	2	2

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 2021 Annual General Meeting ('AGM').

At the 2021 AGM, held on 21 October 2021, 85.58% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. 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

Richard Mollard (resigned 6 July 2022)	Chief Scientific Officer – PharmAust Ltd Chief Executive Officer – Pitney Pharmaceuticals Pty Ltd
Martine Keenan (resigned 27 August 2021)	Chief Scientific Officer & Executive Director – Epichem Pty Ltd
Colin La Galia (resigned 23 March 2022)	Chief Executive Officer – Epichem Pty Ltd
Fiona Milner (appointed 29 June 2022)	General Manager – Epichem Pty Ltd

DIRECTORS' REPORT (Cont.)

Remuneration Report (Audited)

2022	Short-term Benefits		Post-employment Benefits	Share-based Payments	Total
	Salary & Fees \$	Cash Bonus \$	Superannuation \$	Options & Performance Rights \$	
<u>Directors</u>					
Roger Aston	260,000	-	26,000	-	286,000
Robert Bishop	128,000	-	12,800	-	140,800
Sam Wright	138,000	-	-	-	138,000
Neville Bassett	40,000	-	-	-	40,000
<u>Other Key Management Personnel</u>					
Richard Mollard*	252,000	-	25,200	(63,839)*****	213,361
Martine Keenan**	54,078	2,500	2,653	-	59,231
Colin La Galia***	224,235	17,500	18,773	17,500	278,008
Fiona Milner****	-	-	-	-	-
	1,096,313	20,000	85,426	(46,339)	1,155,400

* Resigned on 6 July 2022

** Resigned 27 August 2021

*** Resigned on 23 March 2022

**** Appointed 29 June 2022

***** Note in relation to non-market based performance rights which have expired during the year ended 30 June 2022.

Amounts recognised as at-risk key management personnel remuneration in previous years are reversed in accordance with AASB 2 *Share Based Payments*. Refer to note 20 for more information.

2021	Short-term Benefits		Post-employment Benefits	Share-based Payments	Total
	Salary & Fees \$	Cash Bonus \$	Superannuation \$	Options & Performance Rights \$	
<u>Directors</u>					
Roger Aston	260,000	-	24,700	-	284,700
Robert Bishop	128,000	-	12,160	-	140,160
Sam Wright	138,000	-	-	-	138,000
Neville Bassett	30,000	-	-	-	30,000
<u>Other Key Management Personnel</u>					
Richard Mollard	240,000	-	22,800	137,515	400,315
Martine Keenan	144,500	-	13,727	-	158,227
Colin La Galia	241,275	17,500	21,850	17,500	298,125
	1,181,775	17,500	95,237	155,015	1,449,527

DIRECTORS' REPORT (Cont.)

Remuneration Report (Audited)

The proportion of remuneration linked to performance and the fixed proportion

	Fixed remuneration		At risk – STI		At risk – LTI	
	2022	2021	2022	2021	2022	2021
Directors						
Roger Aston	100%	100%	-	-	-	-
Sam Wright	100%	100%	-	-	-	-
Robert Bishop	100%	100%	-	-	-	-
Neville Bassett	100%	100%	-	-	-	-
Other Key Management Personnel						
Richard Mollard	100%	66%	-	34%	-	-
Martine Keenan	100%	100%	-	-	-	-
Colin La Galia	87%	88%	13%	12%	-	-
Fiona Milner	-	-	-	-	-	-

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 10% 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 \$128,000 per year plus superannuation of 10% 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 \$13,000 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 Neville Bassett (Non-Executive Director – PharmAust Limited)

Term of the agreement – permanent and no specific term.

Directors fees of \$40,000 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 10% 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 – Non-executive director of Epichem Pty Ltd with a base salary of \$1,500 per month for 3 months.

Base salary of \$140,000 per annum plus superannuation of 10% 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 \$233,750 per annum plus superannuation of 10% of base salary.

Car allowance with value of \$28,775 p.a.

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 \$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.

Remuneration of Fiona Milner (General Manager – Epichem Pty Ltd)

Term of the agreement – permanent and no specific term.

Base salary of \$190,500 per year plus superannuation of 10% of base salary.

Three separate short term incentives (STI) are set out below, based on Audited Revenue, Net Profit After Tax (NPAT) and securing profitable business. These are separate STI and are evaluated separately.

Regarding the Audited Revenue STI, the Executive will be entitled to one of the bonuses set below depending on the relevant band:

- (a) Audited Revenue of \$3,500,001 to \$3,750,000 - bonus of \$5,000; or
- (b) Audited Revenue of \$3,750,001 to \$4,000,000 - bonus of \$10,000; or
- (c) Audited Revenue of \$4,000,001 to \$4,250,000 - bonus of \$15,000; or
- (d) Audited Revenue of \$4,250,001 to \$4,500,000 - bonus of \$20,000; or
- (e) Audited Revenue of \$4,500,001 to \$4,750,000 - bonus of \$25,000; or
- (f) Audited Revenue of \$4,750,001 to \$5,000,000 - bonus of \$30,000; or
- (g) Audited Revenue of \$5,000,001 to \$5,250,000 - bonus of \$35,000; or
- (h) Audited Revenue of \$5,250,001 to \$5,500,000 - bonus of \$40,000; or
- (i) Audited Revenue of \$5,500,001 to \$5,750,000 - bonus of \$45,000; or
- (j) Audited Revenue of \$5,750,000 and above - bonus of \$50,000.

For the avoidance of doubt, the Audited Revenue figure shall not include R&D rebate or monies received from Federal or State grants.

Regarding the NPAT STI, the Executive will be entitled to one of the bonuses set below depending on the relevant band:

- (a) NPAT of \$50,000 - \$150,000 - bonus of \$5,000; or
- (b) NPAT of \$150,001 - \$250,000 - bonus of \$10,000; or
- (c) NPAT of \$250,001 - \$350,000 - bonus of \$15,000; or
- (d) NPAT of \$350,001 - \$450,000 - bonus of \$20,000; or
- (e) NPAT of \$450,001 - \$550,000 - bonus of \$25,000; or
- (f) NPAT of \$550,001 - \$650,000 - bonus of \$30,000; or
- (g) NPAT of \$650,001 - \$750,000 - bonus of \$35,000; or
- (h) NPAT of \$750,001 - \$850,000 - bonus of \$40,000; or
- (i) NPAT of \$850,001 - \$950,000 - bonus of \$45,000; or
- (j) NPAT of \$950,001 and above - bonus of \$50,000.

For the avoidance of doubt, the NPAT figure shall not include R&D rebate or monies received from Federal or State grants.

Regarding the securing new profitable business STI, the STI will be deemed satisfied upon the achievement of one or more new contract(s) signed in the financial year from new customer(s) of a minimum aggregate amount of \$500,000 per annum and gross profit of 20% of contract price and the amount payable to the Executive will be \$16,667.

The above STI bands will be reset in June each year for the following financial year.

Long term incentive (LTI) equivalent to 20% of base salary worth of options in the Company based on a Black-Scholes valuation. The options have an exercise price of 150% of the 5 day VWAP prior to execution of Executive Services Agreement and include a vesting condition requiring a minimum of 6 months continuous employment with the Company. The options will be valid for 3 years from the date of issue.

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

Share-based compensation

Shares

On 24 August 2021, 182,463 fully paid ordinary shares were issued to Colin La Galia as part of compensation during the year ended 30 June 2022, with a total value of \$17,500.

Options

There were no options issued to directors and other KMP as part of compensation during the year ended 30 June 2022.

Performance Rights (PR)

There were no performance rights issued to directors and other KMP as part of compensation during the year ended 30 June 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

	CONSOLIDATED 2022 \$
Transactions with related parties:	
<i>The following transactions occurred with related parties:</i>	
Payment for services to – Straight Lines Consultancy ^[1]	18,000
^[1] Sam Wright is director of Straight Lines Consultancy.	
Balance with related parties:	
<i>The following balances occurred with related parties:</i>	
Due to Mandevilla Pty Ltd ^[1]	44,000
^[1] Neville Bassett is director of Mandevilla Pty Ltd.	

All transactions were made on normal commercial terms and conditions and at market rates.

DIRECTORS' REPORT (Cont.)

Remuneration Report (Audited)

Additional information

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Revenue	4,510,705	3,671,645	4,123,411	4,364,554	3,295,904
EBITDA (loss)	(1,304,771)	(960,061)	(968,857)	(1,330,970)	(2,374,722)
EBIT (loss)	(1,619,698)	(1,258,324)	(1,243,494)	(1,503,400)	(2,493,327)
Loss after income tax	(1,708,209)	(1,337,310)	(1,361,990)	(1,551,222)	(2,521,679)

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

	2022	2021	2020	2019	2018
Share price at financial year end (\$)	0.07	0.09	0.16	0.04	0.04
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.54)	(0.42)	(0.46)	(0.71)	(1.72)

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:

2022	Balance 1 July 2021 No.	Exercise of options No.	Received as Compensation No.	At date of Appointment and/or Resignation No.	On-market trade No.	Balance 30 June 2022 No.
<u>Directors</u>						
Roger Aston	15,044,815	-	-	-	-	15,044,815
Robert Bishop	9,211,060	-	-	-	-	9,211,060
Sam Wright	3,000,000	-	-	-	500,000	3,500,000
Neville Bassett	7,000	-	-	-	-	7,000
<u>Other Key Management Personnel</u>						
Richard Mollard	625,000	-	-	-	-	625,000
Martine Keenan	-	-	-	-	-	-
Colin La Galia	-	-	182,463	-	(182,463)	-
Fiona Milner	-	-	-	-	-	-
	<u>27,887,875</u>	<u>-</u>	<u>182,463</u>	<u>-</u>	<u>317,537</u>	<u>28,387,875</u>

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:

2022	Balance 1 July 2021 No.	Granted as Compensation No.	Options Exercised No.	At date of Appointment and/or Resignation	Net Change Other* No.	Balance 30 June 2022 No.	Total Vested No.
<u>Directors</u>							
Roger Aston	-	-	-	-	3,649,904	3,649,904	-
Robert Bishop	-	-	-	-	2,302,766	2,302,766	-
Sam Wright	-	-	-	-	875,000	875,000	-
Neville Bassett	-	-	-	-	1,750	1,750	-
<u>Other Key Management Personnel</u>							
Richard Mollard	-	-	-	-	-	-	-
Martine Keenan	-	-	-	-	-	-	-
Colin La Galia	-	-	-	-	-	-	-
Fiona Milner	-	-	-	-	-	-	-
	-	-	-	-	6,829,420	6,829,420	-

*The net change other column above includes those options that were issued during the Entitlement Options Issue during the year.

Performance Rights holding

The number performance rights 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:

2022	Balance 1 July 2021 No.	Granted as Compensation No.	Options Exercised No.	At date of Appointment and/or Resignation	Net Change Other* No.	Balance 30 June 2022 No.	Total Vested No.
<u>Directors</u>							
Roger Aston	-	-	-	-	-	-	-
Robert Bishop	-	-	-	-	-	-	-
Sam Wright	-	-	-	-	-	-	-
Neville Bassett	-	-	-	-	-	-	-
<u>Other Key Management Personnel</u>							
Richard Mollard	5,000,000	-	-	-	(3,000,000)	2,000,000	-
Martine Keenan	-	-	-	-	-	-	-
Colin La Galia	-	-	-	-	-	-	-
Fiona Milner	-	-	-	-	-	-	-
	5,000,000	-	-	-	(3,000,000)	2,000,000	-

*The net change other column above includes those performance rights that have lapsed during the year.

[This concludes the remuneration report, which has been audited.]

DIRECTORS' REPORT (Cont.)

Shares under option

	Number	Exercise Price	Expiry Date
Listed	79,228,636	\$0.20	31/10/2023

Shares under Performance Rights

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

	Number	Exercise Price	Expiry Date
Unlisted	2,000,000	\$nil	31/10/2022

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.

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 27 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 27 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



Dr ROGER ASTON
Executive Chairman

26 August 2022
Perth, Western Australia

RSM Australia Partners

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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 2022, 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.

A handwritten signature of "RSM" in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to be "Tutu Phong".

TUTU PHONG
Partner

Perth, WA
Dated: 26 August 2022

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

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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 2022, 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 2022 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
Intangible Assets Refer to Note 8 in the financial statements	
<p>As at 30 June 2022, the Group has an intangible asset relating to the intellectual property rights for the monepantel oncology platform (MPL) with a carrying value of \$3,107,476.</p> <p>The asset is not yet available for use and is required to be tested annually for impairment by comparing its carrying amount to 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"> Assessing the key assumptions for the MPL value-in-use model to determine whether there were any significant changes during the current financial year; and Evaluating whether any events have occurred to indicate that the asset's recoverable amount may be less than its carrying amount. <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"> Assessing whether the value-in-use model used by management is appropriate to determine the recoverable amount of MPL; Assessing whether there are any indicators of impairment of the MPL asset, including enquiring with management on the current and planned commercialisation activities; 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 Assessing the adequacy of the disclosures in the financial statements.

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 2022 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. 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 2022.

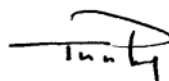
In our opinion, the Remuneration Report of PharmAust Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

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: 26 August 2022

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Dr ROGER ASTON
Executive Chairman

26 August 2022
Perth, Western Australia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2022

	NOTE	CONSOLIDATED	
		2022 \$	2021 \$
Revenue	2	3,381,273	2,140,320
Other income	2	1,129,432	1,531,325
		<u>4,510,705</u>	<u>3,671,645</u>
Raw materials and consumables used		(314,343)	(225,318)
Employee benefits expense		(2,975,520)	(2,388,269)
Depreciation expense		(314,927)	(298,263)
Finance costs		(88,511)	(78,986)
Research and development expenses		(758,655)	(554,144)
Administration expenses		<u>(1,766,958)</u>	<u>(1,463,975)</u>
		<u>(6,218,914)</u>	<u>(5,008,955)</u>
(Loss) before income tax expense		(1,708,209)	(1,337,310)
Income tax expense	3a	-	-
(Loss) after income tax expense		(1,708,209)	(1,337,310)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		<u>(1,708,209)</u>	<u>(1,337,310)</u>
Basic and diluted loss per share (cents per share)	16	(0.54)	(0.42)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	NOTE	CONSOLIDATED	
		2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	4	2,415,616	3,020,268
Trade and other receivables	5a	185,322	241,949
Other current assets	6	86,884	86,342
Inventory	7	1,042,991	1,008,071
TOTAL CURRENT ASSETS		3,730,813	4,356,630
NON-CURRENT ASSETS			
Intangible assets	8	3,109,567	3,142,089
Plant and equipment	9	3,237,900	3,454,879
TOTAL NON-CURRENT ASSETS		6,347,467	6,596,968
TOTAL ASSETS		10,078,280	10,953,598
CURRENT LIABILITIES			
Trade and other payables	10	603,637	559,007
Borrowings	11	210,116	38,206
Employee benefits	12	214,117	205,720
Lease liabilities	17	137,952	108,433
TOTAL CURRENT LIABILITIES		1,165,822	911,366
NON-CURRENT LIABILITIES			
Employee benefits	12	31,023	30,381
Lease liabilities	17	1,037,001	1,131,367
TOTAL NON-CURRENT LIABILITIES		1,068,024	1,161,748
TOTAL LIABILITIES		2,233,846	2,073,114
NET ASSETS		7,844,434	8,880,484
EQUITY			
Issued capital	13	55,343,941	55,326,441
Reserves	14	2,747,820	2,093,161
Accumulated losses	25	(50,247,327)	(48,539,118)
TOTAL EQUITY		7,844,434	8,880,484

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

	Issued Capital	Accumulated Losses	Share-Based Payments Reserve	Total Equity
	\$	\$	\$	\$
As at 1 July 2020	53,772,433	(47,201,808)	1,955,644	8,526,269
(Loss) for the year	-	(1,337,310)	-	(1,337,310)
Total comprehensive (loss) for the year	-	(1,337,310)	-	(1,337,310)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued (net of costs)	1,554,008	-	-	1,554,008
Exercise of options	-	-	137,517	137,517
Share-based payment	-	-	-	-
As at 30 June 2021	55,326,441	(48,539,118)	2,093,161	8,880,484
As at 1 July 2021	55,326,441	(48,539,118)	2,093,161	8,880,484
(Loss) for the year	-	(1,708,209)	-	(1,708,209)
Total comprehensive (loss) for the year	-	(1,708,209)	-	(1,708,209)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued (net of costs)	17,500	-	-	17,500
Issue of options (net of costs)	-	-	718,498	718,498
Share-based payment	-	-	(63,839)	(63,839)
As at 30 June 2022	55,343,941	(50,247,327)	2,747,820	7,844,434

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2022

	NOTE	CONSOLIDATED	
		2022	2021
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		3,437,900	2,191,105
Payments to suppliers and employees		(5,811,085)	(4,627,296)
Other income		1,128,896	1,516,607
Interest received		537	14,718
Interest and other costs of finance		(88,511)	(33,099)
Net cash used in operating activities	19b	<u>(1,332,263)</u>	<u>(937,965)</u>
Cash Flows from Investing Activities			
Payments for plant and equipment		(43,379)	(101,718)
Payments for intangible assets		-	(36,319)
Net cash used in investing activities		<u>(43,379)</u>	<u>(138,037)</u>
Cash Flows from Financing Activities			
Proceeds from share issues (net)		718,498	1,536,508
Repayment of borrowing and leases		(157,624)	(320,734)
Drawdown on borrowings		210,116	-
Net cash generated from financing activities		<u>770,990</u>	<u>1,215,774</u>
Net increase in cash held		(604,652)	139,772
Cash at the beginning of the financial year		<u>3,020,268</u>	<u>2,880,496</u>
Cash at the end of the financial year	19a	<u>2,415,616</u>	<u>3,020,268</u>

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2022

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

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within Note 1.

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 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PharmAust Limited as at 30 June 2022 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 2022

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

PharmAust Limited 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.

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 2022

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2022

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2022

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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.

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.

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 allowance for expected credit losses. 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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2022

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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.

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.

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 2022

2 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

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.

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.

Intangible 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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2022

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

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.

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.

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 2022

1 SIGNIFICANT ACCOUNTING POLICIES (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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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. 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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to Note 20 for further information.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

		CONSOLIDATED	
		2022	2021
		\$	\$
2	REVENUE		
	Sales	3,381,273	2,140,320
	OTHER INCOME		
	Interest received	536	14,718
	Other revenue	1,128,896	1,516,607
		<u>1,129,432</u>	<u>1,531,325</u>
		<u>4,510,705</u>	<u>3,671,645</u>
	<i>Timing of revenue recognition</i>		
	Goods transferred at a point in time	3,381,273	2,140,320
	Services transferred over time	-	-
		<u>3,381,273</u>	<u>2,140,320</u>
	Refer to Note 22 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	(1,708,209)	(1,337,310)
	Prima facie tax benefit at 26% (2021: 27.5%)	(469,758)	(367,760)
	Tax effect of:		
	- Other non-allowable items	9,528	(25,849)
	- Tax losses not brought to account	460,230	393,609
		<u>-</u>	<u>-</u>
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 26% tax rate (not recognised) (2021: 27.5%)	7,063,041	6,888,804
		<u>7,063,041</u>	<u>6,888,804</u>
	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	2,415,616	3,020,268
		<u>2,415,616</u>	<u>3,020,268</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

		CONSOLIDATED	
		2022	2021
		\$	\$
5	TRADE AND OTHER RECEIVABLES		
5a	CURRENT		
	Trade receivables	185,322	241,949
	Less: Allowance for expected credit losses	-	-
		185,322	241,949
	Trade receivables: Payment terms are 30 days from the date of recognition and carried at fair value.		
5b	Allowance for expected credit losses		
	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.		
	The consolidated entity has recognised a loss of \$nil (2021: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.		
5c	Past due but not impaired		
	As of 30 June 2022, trade receivables of \$27,486 (2021: \$10,278) 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	259	3,632
	61 days and above	27,227	6,646
		27,486	10,278
	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	18,989	19,576
	Bond	4,225	4,225
	Prepayments	63,670	62,541
		86,884	86,342
7	Inventories		
	Finished Goods	973,385	944,626
	Raw Materials	10,569	10,569
	Work in Progress	59,037	52,876
		1,042,991	1,008,071
8	Intangible Assets		
	Intellectual property	3,107,476	3,107,476
	Licensing rights	2,091	34,613
		3,109,567	3,142,089

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

	CONSOLIDATED	
	2022 \$	2021 \$
8a. Intangible Assets – Intellectual Property		
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% (2021: 10%).
- Post-tax discount rate of 30% (2021: 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.

8b. Intangible Assets – Licencing		
Licencing rights – at cost	2,091	36,319
Amortisation	-	(1,706)
	<u>2,091</u>	<u>34,613</u>
Movements in Carrying Amounts:		
Balance at the beginning of the year	34,613	-
Addition	-	36,319
Amortisation	-	(1,706)
Write off	(32,522)	-
Balance at the end of the year	<u>2,091</u>	<u>34,613</u>

9. PLANT AND EQUIPMENT

Plant and Equipment - Cost	3,634,310	3,635,491
Less: Accumulated depreciation	(1,472,210)	(1,349,686)
	<u>2,162,100</u>	<u>2,285,805</u>
Right of Use Asset – Cost	1,480,247	1,425,678
Less: Accumulated depreciation	(404,447)	(256,604)
	<u>1,075,800</u>	<u>1,169,074</u>
	<u>3,237,900</u>	<u>3,454,879</u>

Movements in Carrying Amounts:

	Plant and Equipment \$	Right of Use Asset \$	Total \$
Balance at 1 July 2020	2,346,284	1,222,433	3,568,717
Additions	103,762	81,001	184,763
Disposals	(338)	-	(338)
Depreciation expense	(163,903)	(134,360)	(298,263)
Balance at 30 June 2021	<u>2,285,805</u>	<u>1,169,074</u>	<u>3,454,879</u>
Additions	48,911	54,570	103,481
Disposals	(5,533)	-	(5,533)
Depreciation expense	(167,083)	(147,844)	(314,927)
Balance at 30 June 2022	<u>2,162,100</u>	<u>1,075,800</u>	<u>3,237,900</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

		CONSOLIDATED	
		2022	2021
		\$	\$
10	TRADE AND OTHER PAYABLES		
	Trade creditors and accruals	603,637	559,007
	Payment terms are 30 days from receipt of goods and/or services rendered.		
11	BORROWINGS		
	CURRENT		
	EFIC Loan Facility (a)	-	38,206
	Radium Capital Funding (b)	210,116	-
		210,116	38,206
	<i>Terms and conditions:</i>		
	(a) 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 2022 this facility was repaid in full.		
	(b) The Radium Capital Funding is a loan secured over the R&D refund, has a fixed interest rate charge at 15% per annum and with a maturity date on 31 December 2022.		
	Financing arrangements		
	Loan Facility 1:		
	During the year, the consolidated entity was party to a loan agreement to gain access to an original loan facility of \$466,000. Note this facility was fully repaid during the year ended 30 June 2022.		
	Security: First charge over the laboratory equipment.		
	Loan facility 1 (formerly known as Loan Facility 2):		
	Total facility limit	-	466,000
	Amount utilised	-	(466,000)
	Total unused facility at 30 June	-	-
12	EMPLOYEE BENEFITS		
	CURRENT		
	Employee entitlements	214,117	205,720
	NON-CURRENT		
	Employee entitlements	31,022	30,381
	<i>Amounts not expected to be settled within the next 12 months</i>		
	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 expect all employees to take the full amount of accrued leave or require payment within the next 12 months.		

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

		CONSOLIDATED	
		2022	2021
		\$	\$
13	ISSUED CAPITAL		
	Issued and paid up ordinary shares	55,343,941	55,326,441
13a	Movement in fully paid ordinary shares		
		2022	2021
		Number of shares	\$
	Ordinary Shares		
	1 July	316,729,920	302,021,053
	Shares issued	182,463	133,867
	Costs of share issues	-	-
	Share issued upon the exercise of options	-	14,575,000
	30 June	316,912,383	316,729,920
		55,343,941	55,326,441

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 Risk Management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

14 RESERVES

Share-based payments reserve	2,747,820	2,093,161
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The share-based payments reserve is used to accumulate the fair value of the issue of options and performance rights.

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

Opening balance	2,093,161	1,955,644
Share based payment	(63,839)	137,517
Issue of listed options	792,286	-
Issue costs	(73,788)	-
Ending balance	2,747,820	2,093,161

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:

	2022	CONSOLIDATED
	\$	2021
		\$
Transactions with related parties:		
<i>The following transactions occurred with related parties:</i>		
Payment for services to – Straight Lines Consultancy ^[1]	18,000	18,000
^[1] Sam Wright is director of Straight Lines Consultancy.		
Balance with related parties:		
<i>The following balances are owing to related parties:</i>		
Due to Mandevilla Pty Ltd ^[1]	44,000	16,500
^[1] Neville Bassett is director of Mandevilla Pty Ltd.		

16 EARNINGS PER SHARE

Net (loss) attributable to members of the Company	1,786,517	1,337,310
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Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share.	No.	No.
	316,884,889	315,740,339

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, due to the Group incurring a loss for the year ending 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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	
		2022 \$	2021 \$
Financial assets			
Cash and cash equivalents	4	2,415,616	3,020,268
Loans and receivables (excluding GST)	5a	185,322	241,949
Total financial assets		2,600,938	3,262,217
Financial liabilities			
Trade and other payables(excluding GST)	10	603,637	559,007
Borrowings	11	210,116	38,206
Total financial liabilities		813,753	597,213

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 13c in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

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.

2022

	Weighted Average Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Within 1 Year \$	Fixed Interest Rate Within 1-5 Years \$	Non-Interest Bearing \$	Total \$
<i>Financial Assets</i>						
Cash and cash equivalents	0.12%	2,407,591	8,025	-	-	2,415,616
Trade and other receivables		-	-	-	185,322	185,322
Total Financial Assets		2,407,591	8,025	-	185,322	2,600,938
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	(603,637)	(603,637)
Borrowings	15%	-	(210,116)	-	-	(210,116)
Lease liabilities	7.5%	-	(137,952)	(1,037,001)	-	(1,174,953)
Total Financial Liabilities		-	(348,068)	(1,037,001)	(603,637)	(1,988,706)
Net Financial Assets/(Liabilities)		2,407,591	(340,043)	(1,037,001)	(418,315)	612,232

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

2021

	Weighted Average Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Within 1 Year \$	Fixed Interest Rate Within 1-5 Years \$	Non-Interest Bearing \$	Total \$
<i>Financial Assets</i>						
Cash and cash equivalents	0.08%	3,012,247	8,021	-	-	3,020,268
Trade and other receivables		-	-	-	241,949	241,949
Total Financial Assets		3,012,247	8,021	-	241,949	3,262,217
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	(559,007)	(559,007)
Borrowings	6.13%	(38,206)	-	-	-	(38,206)
Lease liabilities	7.5%	-	(108,433)	(1,131,367)	-	(1,239,800)
Total Financial Liabilities		(38,206)	(108,433)	(1,131,367)	(559,007)	(1,837,013)
Net Financial Assets/(Liabilities)		2,974,041	(100,412)	(1,131,367)	(317,058)	1,425,204

Interest rate sensitivity analysis

At 30 June 2022 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 \$29,740 (2021: \$30,505) 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	
	2022 \$	2021 \$
Contracted maturities Payables - within 1 year	603,637	578,256
Borrowings - within 1 year	210,116	38,206

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:

	2022			2021		
	USD \$	EUR \$	SEK \$	USD \$	EUR \$	SEK \$
Trade receivables	24,654	1,595	-	37,748	2,318	-
Trade payables	51,378	330	-	45,818	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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:

	2022			2021		
	Change in profit and equity with a +/- 10% in AUD to			Change in profit and equity with a +/- 10% in AUD to		
	USD \$	EUR \$	SEK \$	USD \$	EUR \$	SEK \$
Trade receivables	3,416	231	-	3,603	227	-
Trade payables	7,119	48	-	4,374	-	-

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 INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name:	COUNTRY OF CORPORATION	CLASS OF SHARES	EQUITY HOLDING	EQUITY HOLDING
			2022 %	2021 %
Epichem Pty Ltd	Australia	Ordinary	100	100
Pitney Pharmaceuticals Pty Ltd	Australia	Ordinary	100	100
Epichem OHD Pty Ltd	Australia	Ordinary	100	100

19 NOTES TO THE STATEMENT OF CASH FLOWS

19a Reconciliation of Cash

	CONSOLIDATED	
	2022 \$	2021 \$
Cash at bank	2,415,616	3,020,268

19b Reconciliation of net cash used in operating activities to (loss) after income tax

(Loss) after income tax	(1,708,209)	(1,337,310)
Depreciation	314,927	298,263
Share based payment expense	(46,339)	155,015
Interest on lease	-	45,888
Write down of intangibles	32,522	-
Movement in assets and liabilities:		
Inventory	(34,920)	(150,501)
Receivables	56,629	55,734
Other assets	(541)	(51,982)
Payables	44,630	2,006
Provisions	9,038	44,922
Net cash used in operating activities	(1,332,263)	(937,965)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

19 NOTES TO THE STATEMENT OF CASH FLOWS

19c Non-cash Financing and Investing Activities

During the year, the Group received no COVID-19 related rent relief (2021: \$43,887).

19d Changes in liabilities arising from financing activities

	Bank loans \$	Lease liability \$	Total \$
Consolidated			
Balance at 1 July 2020	217,436	1,254,415	1,471,851
Net cash used in financing activities	(179,230)	(75,037)	(254,267)
Impact of COVID-19 rent relief (non-cash)	-	(20,579)	(20,579)
Acquisition of plant and equipment by means of leases	-	81,001	81,001
Balance at 30 June 2021	38,206	1,239,800	1,278,006
Net cash from/(used in) financing activities	171,910	(119,416)	52,494
Acquisition on of plant and equipment by means of leases	-	54,569	54,569
Balance at 30 June 2022	<u>210,116</u>	<u>1,174,953</u>	<u>1,385,069</u>

20 SHARE-BASED PAYMENTS

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

	2022 \$	2021 \$
Share-based payments to KMP – shares	17,500	17,500
Share-based payments to KMP – performance rights	(63,839)	137,515
Total	(46,339)	155,015

Share-based payments - options

On 9 November 2021, 51,414,373 listed options were issued as part of Entitlement Options Issue at an issue price of \$0.01 per share. On 16 November 2021, a further 27,814,263 listed options were issued as part of Entitlement Options Issue shortfall at an issue price of \$0.01 per share. Total transaction value of \$792,286 (before costs). These options are exercisable at \$0.20 and expire on 31 October 2023.

There were no options issued during the prior year.

Share-based payments - Performance rights

During the year, no performance rights were granted.

During the prior year, 1,000,000 performance rights were issued to KMP. The performance rights have no exercise price and performance based vesting conditions. These performance rights expired on 31 March 2022. \$137,515 was recognised in employee benefits expense with respect to 1 million performance rights issued to KMP during the year ended 30 June 2021 as well as continued amortisation of prior year performance rights issued.

The fair values of the performance rights granted in prior year were as follows:

Performance rights	Share Price at Grant Date	Exercise Price	Fair Value at Grant Date
1,000,000	\$0.12	\$nil	\$0.12

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

20 SHARE-BASED PAYMENTS (cont.)

Set out below are summaries of options and performance rights:

**Options
2022**

Grant date	Expiry date	Exercise price	Balance at the start of the year No.	Granted No.	Exercised No.	Expired/ forfeited/ other No.	Balance at the end of the year No.
16/3/2018	31/1/2022	\$0.12	50,000	-	-	(50,000)	-
28/8/2019	30/6/2022	\$0.15	250,000	-	-	(250,000)	-
09/11/2021	31/10/2023	\$0.20	-	51,414,373	-	-	51,414,373
16/11/2021	31/10/2023	\$0.20	-	27,814,263	-	-	27,814,263
			300,000	79,228,636	-	(300,000)	79,228,636
Weighted average exercise price			\$0.15	\$0.20	\$0	\$0.15	\$0.20

**Options
2021**

Grant date	Expiry date	Exercise price	Balance at the start of the year No.	Granted No.	Exercised No.	Expired/ forfeited/ other No.	Balance at the end of the year No.
26/2/2018	31/12/2020	\$0.08	5,000,000	-	(4,375,000)	(625,000)	-
16/3/2018	31/1/2022	\$0.12	10,000,000	-	(9,950,000)	-	50,000
28/8/2019	30/6/2022	\$0.15	500,000	-	(250,000)	-	250,000
			15,500,000	-	(14,575,000)	(625,000)	300,000
Weighted average exercise price			\$0.11	\$0	\$0.06	\$0.08	\$0.15

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.34 years (2021: 0.93 years).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

20 SHARE-BASED PAYMENTS(CONT.)

Performance rights 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year No.	Granted No.	Exercised No.	Expired/ forfeited/ other No.	Balance at the end of the year No.
26/4/2020	30/4/2022	\$nil	2,000,000*	-	-	(2,000,000)	-
26/4/2020	31/10/2022	\$nil	2,000,000**	-	-	-	2,000,000
8/10/2020	31/3/2022	\$nil	1,000,000***	-	-	(1,000,000)	-
			<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>2,000,000</u>

Performance rights 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year No.	Granted No.	Exercised No.	Expired/ forfeited/ other No.	Balance at the end of the year No.
26/4/2020	30/4/2022	\$nil	2,000,000*	-	-	-	2,000,000
26/4/2020	31/10/2022	\$nil	2,000,000**	-	-	-	2,000,000
8/10/2020	31/3/2022	\$nil	-	1,000,000***	-	-	1,000,000
			<u>4,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>

* 1 million performance rights vest upon Elanco US Inc exercising its Option under the Option Agreement with PharmAust Limited dated 12 April 2018 on terms that the boards of directors of PharmAust Limited and Elanco both formally approve and 1 million vest upon the formal commencement by PharmAust Limited or by an organisation working in collaboration with PharmAust Limited of a Phase I/II trial in humans of monepantel as an anti-COVID-19 treatment either alone or in combination with other drugs by one or more approved centres in Australia or the United States or United Kingdom following commencement of all formal approvals from relevant regulators and entities and the recruitment of the first patient.

** 1 million performance rights vest upon the formal commencement by PharmAust Limited of a Phase II trial in humans of monepantel as a treatment in neuro-degenerative disease either alone or in combination with other drugs at one or more approved centres in Australia or the United States or United Kingdom following commencement of all formal approvals from relevant regulators and entities and the recruitment of the first patient and 1 million vest upon the formal commencement by PharmAust Limited of a Phase II trial in humans of monepantel as an anti-cancer treatment either alone or in combination with other drugs either at one or more approved centres in Australia or the United States or United Kingdom following commencement of all formal approvals from relevant regulators and entities and the recruitment of the first patient.

*** Vest upon the entry by the Company into a binding commercial licensing agreement with a global pharmaceutical or veterinary company covering the use of MPL in anti-cancer applications in canine or feline patients.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2022

21 KEY MANAGEMENT PERSONNEL

21a Remuneration of Key Management Personnel

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	CONSOLIDATED	
	2022	2021
	\$	\$
Short term employee benefits	1,116,313	1,199,275
Post-employment benefits	85,426	95,237
Share based payment	(46,339)	155,015
	1,155,400	1,449,527

22 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 2022

22 SEGMENT REPORTING(Cont'd)

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

i) Segment Performance

Consolidated

2022	Corporate	Pharmaceutical	Total
	\$	\$	\$
Revenue			
External sales	-	3,413,079	3,413,079
Other external revenue	834,697	344,960	1,179,657
Total segment revenue	834,697	3,758,039	4,592,736
Inter-segment elimination			(82,031)
Total revenue per statement of profit or loss and other comprehensive income			4,510,705

Results

Segment result from continuing operations before tax	(1,575,849)	(132,360)	(1,708,209)
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Consolidated

2021	Corporate	Pharmaceutical	Total
	\$	\$	\$
Revenue			
External sales	-	2,189,824	2,189,824
Other external revenue	606,613	946,521	1,553,134
Total segment revenue	606,613	3,136,345	3,742,958
Inter-segment elimination			(71,313)
Total revenue per statement of profit or loss and other comprehensive income			3,671,645

Results

Segment result from continuing operations before tax	(1,639,487)	302,177	(1,337,310)
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

22 SEGMENT REPORTING (Cont.)

ii) Segment assets and liabilities

Consolidated	Corporate	Pharmaceutical	Total
	\$	\$	\$
2022			
Segment assets			
Segment assets	2,302,220	7,776,060	10,078,280
Total assets of the consolidated entity:	2,302,220	7,776,060	10,078,280
Segment liabilities			
Segment operating liabilities	(636,800)	(1,597,046)	(2,233,846)
Total liabilities of the consolidated entity:	(636,800)	(1,597,046)	(2,233,846)
Consolidated			
	Corporate	Pharmaceutical	Total
	\$	\$	\$
2021			
Segment assets			
Segment assets	2,902,715	8,050,883	10,953,598
Total assets of the consolidated entity:	2,902,715	8,050,883	10,953,598
Segment liabilities			
Segment operating liabilities	(318,089)	(1,755,025)	(2,073,114)
Total liabilities of the consolidated entity:	(318,089)	(1,755,025)	(2,073,114)

ii) Revenue by geographical region

	CONSOLIDATED	
	2022	2021
	\$	\$
Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Switzerland	1,043,010	1,130,475
Australia	1,736,617	685,014
Sweden	323,850	-
USA	181,703	114,240
Others	96,093	210,591
Total revenue (exclude other income)	3,381,273	2,140,320
Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	10,078,280	10,953,598
Total assets	10,078,280	10,953,598

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 30% of external revenue (2021: 54%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

23 CONTINGENT ASSETS AND LIABILITIES

As part of the Phase I/II trial agreement with FightMND, the following contingent assets, receivable in cash, exist:

Funding Milestone Description	Amount \$
Commencement of Level 1 Clinical Trial	173,035
Completion of Level 3 Assessment	138,135
Completion of Level 4 Assessment	150,143
Completion of 12-month GMP Stability Study	118,927

The consolidated entity has no contingent liabilities as at 30 June 2022.

24 PARENT INFORMATION

Statement of Financial Position	2022 \$	2021 \$
Assets		
Total current assets	3,476,135	4,061,113
Non-current assets	3,438,990	3,438,990
Total assets	<u>6,915,125</u>	<u>7,500,103</u>
Liabilities		
Current liabilities	636,800	318,090
Non-current liabilities	-	-
Total liabilities	<u>636,800</u>	<u>318,090</u>
Equity		
Issued capital	55,343,941	55,326,441
Reserves	2,747,820	2,093,159
Accumulated losses	(51,813,436)	(50,237,587)
Total equity	<u>6,278,325</u>	<u>7,182,013</u>
Statement of profit or loss and other comprehensive income		
Loss for the year	(1,575,849)	(1,639,487)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(1,575,849)</u>	<u>(1,639,487)</u>

Guarantees

PharmAust Limited is not a guarantor of any debts owned by subsidiaries.

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 23.

25 ACCUMULATED LOSSES

	2022 \$	CONSOLIDATED 2021 \$
Accumulated losses at beginning of the financial year	(48,539,118)	(47,201,808)
(Loss) after income tax for the year	(1,708,209)	(1,337,310)
Accumulated losses at the end of the financial year	<u>(50,247,327)</u>	<u>(48,539,118)</u>

26 EVENTS AFTER THE REPORTING PERIOD

On 27 May 2022, PharmAust announced that Dr Richard Mollard, tendered his resignation and gave the Company six months' notice as required under his contract. Richard's final day with the Company was 6 July 2022.

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 2022, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

	2022	CONSOLIDATED	2021
	\$		\$
27 AUDITOR'S REMUNERATION			
Remuneration of RSM Australia Partners as auditor for:			
- auditing or reviewing the financial report	77,500		73,000
- taxation services	9,500		13,500
	<u>87,000</u>		<u>86,500</u>

SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDINGS

Mr Graham Darcy is a substantial shareholder holding a relevant interest in 22,250,000 shares representing 7.02% 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.

PHARMAUST LIMITED		ORDINARY FULLY PAID SHARES (Total)	
Range of Units As Of 25/07/2022		Composition : ORD	
Range	Total holders	Units	% Units
1 - 1,000	242	73,978	0.02
1,001 - 5,000	526	1,811,057	0.57
5,001 - 10,000	604	4,786,504	1.51
10,001 - 100,000	1,348	49,627,701	15.66
100,001 Over	395	260,613,143	82.24
Rounding			0.00
Total	3,115	316,912,383	100.00

Unmarketable Parcels			
	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0830 per unit	6,025	904	2,652,053

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.

PHARMAUST LIMITED

ORDINARY FULLY PAID SHARES (Total)

Top Holders (Grouped) As Of 25/07/2022

Composition : ORD

Rank	Name	Units	% Units
1	HYBRID HOLDINGS PTY LTD <DARCY FAMILY SUPER FUND A/C>	22,250,000	7.02
2	MR GERALD JAMES VAN BLOMMESTIEN + MRS GILLIAN VAN BLOMMESTEIN <VAN BLOMMESTEIN S/F A/C>	17,078,538	5.39
3	DR ROGER ASTON	15,044,815	4.75
4	LONGBOW CROFT CAPITAL PTY LIMITED	8,200,058	2.59
5	MR MARCUS PAUL HUGHES	8,000,000	2.52
6	C DARCY + D SIMPSON <SIMDAR 1994 SUPER FUND A/C>	4,457,058	1.41
7	MR DOUGLAS BREWSTER KITCHEN	4,154,236	1.31
8	MR RODNEY JOSEPH PETER ADKINS + MS ANNE-MARIE ADKINS <RAM SUPER FUND A/C>	4,038,500	1.27
9	MR PETER HOWELLS	3,790,000	1.20
10	STRAIGHT LINES CONSULTANCY PTY LTD <STRAIGHT LINES CONSULT A/C>	3,500,000	1.10
11	MR CHEK LOON TAN	3,350,000	1.06
12	MAGEE HOLDINGS PTY LTD <PLM SUPER FUND A/C>	3,100,000	0.98
13	MR ROGER BOWMAN	2,790,000	0.88
14	MR RICHARD DESMOND REID	2,750,000	0.87
15	MR MICHAEL PHILIP EASTERBROOK	2,700,000	0.85
16	MR PAUL DENHAM	2,407,750	0.76
17	JARMACK HOLDINGS PTY LIMITED <VIP SUPER FUND A/C>	2,341,570	0.74
18	MR NEIL DEREK LANSDOWN	2,317,635	0.73
19	MR DAVID LESLIE NORRIS	2,250,000	0.71
20	CITICORP NOMINEES PTY LIMITED	2,224,135	0.70
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		116,744,295	36.84
Total Remaining Holders Balance		200,168,088	63.16