

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 2020

Previous period – For the year ended 30 June 2019

Results for Announcement to the Market

	30 June 2020	30 June 2019	Change	Change
	\$'000	\$'000	\$'000	%
Revenue	4,123	4,365	(242)	(6%)
Loss for the year after tax from continuing operations	1,362	1,551	189	12%
Loss attributable to members of the parent entity	1,362	1,551	189	12%

Dividends

No dividends have been declared or paid during the financial year ended 30 June 2020.

Other significant information

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

Operating Results

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

Financial Position

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

Dividends

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

Review of Operations

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

PharmAust Limited is primarily focused on developing cancer therapeutics for humans and canines. PharmAust's lead molecule for this purpose is monepantel (MPL). MPL is a veterinary drug registered for use by a major pharmaceutical company as a wormicide in many global jurisdictions. PharmAust discovered independently that MPL interacts in a previously unrecognized manner 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 potential relevant therapeutic value in a wide range of diseases.

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

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

In order to further the development of its products and add value for shareholders, PharmAust executed an Option to License Agreement with a Vet Major during 2018. The new Agreement between PharmAust and the Vet Major superseded the Research and Option Agreement signed with Novartis Animal Health, which prevailed since 2012. From 2017 to 2019, PharmAust also changed the original liquid monepantel formula to a novel monepantel tablet formula to facilitate administration to both dogs and humans. In the period 2019-2020 financial year, PharmAust successfully completed key milestones of its Option Agreement with the Vet Major using this tablet in canines with cancer.

Achievements during the 2019 - 2020 financial year include:

1. Receipt of an MPL tablet Phase I canine pharmacokinetic and toxicology report from a major Contract Research Organisation in the USA. The report covered studies examining single and repeat high and low dose monepantel tablet administration to healthy Beagle dogs. In consideration with the toxicology data supplied by the Vet Major, these studies enabled dosing selection for the Phase II trial in pet owners' dogs with cancer.
2. Commencement and completion of the PharmAust Phase II clinical trial in pet owners' dogs with cancer. PharmAust demonstrated anti-cancer activity of MPL tablets, yet at a target dose higher than necessary. This enables the targeting of lower dosing in subsequent larger scale trials.
3. The execution of collaborative agreements with the University Veterinary Teaching Hospital Sydney (UVTHS), Western Australian Veterinary Emergency and Specialty (WAVES; Perth), the Animal Referral Hospital (ARH) Brisbane. These agreements enabled a national network of veterinary practices to participate in the trial and achieve a more rapid recruitment of pet dogs for the Phase II B-cell lymphoma trial.
4. Acceptance of ethics applications through UVTHS, WAVES and ARH Brisbane for the Phase II trial in pet owners' dogs with cancer for trial commencement.
5. Awarding to PharmAust of Research Licenses and Accreditation to undertake research by the Department of Primary Industries and Regional Development (Western Australia) and the Department of Agriculture and Fisheries (Queensland) to conduct the Phase II clinical trials in pet owners' dogs with cancer in those States. These licenses add to PharmAust's similar accreditation in New South Wales with the Department of Primary Industries.
6. Completion of the agreement with the University of Melbourne to appoint U-Vet as Phase II trial site lead and agreement on the Phase II trial protocol with U-Vet.

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7. Commencement and completion of a second GMP MPL tablet manufacturing round with Catalent San Diego, facilitating supply to all five veterinary centres participating in the Phase II trial in pet owners' dogs with cancer.
8. Receipt of nine- and six-month stability shelf-life studies from Catalent San Diego of the first and second GMP MPL manufacturing rounds. These studies demonstrated a robust and repeatable high quality manufacturing program generating tablets of high quality, reproducibility and a long shelf-life.
9. Full characterization of MPL tablets produced to GMP standards by PharmAust's subsidiary Epichem. This work demonstrated all tablet constituents, even following prolonged storage, remain within the Centre for Veterinary Medicine's (the USA's Federal Drug Administration's veterinary arm) range specifications. This implies that the tablet would qualify for registration purposes when subsequent Phase III trials will be undertaken.
10. The successful undertaking of further GMP tablet manufacturing optimization work that will further facilitate administration to human patients.
11. The submission of a manuscript to a peer-reviewed journal detailing PharmAust's Phase I trial in humans with cancer treated with MPL and conducted at the Royal Adelaide Hospital.
12. The identification of clinicians willing to conduct human clinical trials examining the effects of MPL against neurodegenerative diseases.
13. Continued discussions with clinicians willing to conduct human clinical trials examining the effects of MPL against cancer.
14. The preparation of 700g of highly pure (>99% purity) reference grade MPL by PharmAust's subsidiary Epichem. This MPL will be used for future preclinical work as required by PharmAust.
15. Commencement of RNAseq work with the Assoc Professor Doug Fairlie at the Olivia Newton John Cancer Research Institute. Preliminary data confirm MPL's safety in respect to non-cancer cells and supports findings that anti-cancer activity is related to autophagy and apoptosis pathways.
16. PharmAust entered into an Agreement with the research group of Professor Marc Pellegrini at The Walter and Eliza Hall Institute of Medical Research to study the effects of MPL upon preclinical models of SARS-CoV-2 (COVID-19) infections. Preliminary data has demonstrated that MPL inhibits SARS-CoV2 infectivity in non-human primate cells *in vitro* and in cultured human lung adenocarcinoma epithelial cells (Calu-3 cells) *in vitro* .
17. PharmAust received an Advance Finding Certificate from the Australian Taxation Office (ATO) covering selected Research and Development (R&D) activities conducted overseas. This means that specific R&D expenditures in the future and nominated under the ruling, including reformulation work, tablet manufacture and testing as well as drug manufacture, are preapproved for the full 43.5% tax incentive rebate offered by the ATO.

**Research and Development Targets FY 2020-2021:**

1. For Vet Major exercise the Option Agreement relating to the use of MPL as a veterinary anti-cancer drug, or execute an Agreement with an alternative partner if required.
2. To execute an Agreement with Vet Major which provides PharmAust with the freedom to evaluate and develop an anti-cancer product based on MPL for the treatment of human cancers. PharmAust has commenced discussions with Vet Major as regards permission to commercially develop a human cancer product based on MPL. It should be noted that Vet Major patents on MPL begin to expire in 2023-2024, following such expiration the PharmAust patents are expected to have Freedom to Operate.

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3. To undertake a large “First Line Therapy” Phase II/III clinical trial, mutually agreed upon with Vet Major, in canines with naturally occurring cancer to build on the positive outcomes of the Phase II trial recently conducted with U-Vet.
4. To receive Agreement from Vet Major which enables PharmAust to commercially develop an anti-viral MPL-based product against SARS CoV2 or COVID-19).
5. To receive Agreement from Vet Major which enables PharmAust to commercially develop MPL-based products against Motor Neurone Disease and other CNS conditions.
6. To complete optimization research on the MPL tablet to create a more tailored human product. The current tablet is sufficient for human work, but further optimization will permit greater flexibility in dosing and for targeting a wider range of human conditions in addition to cancer, such as viral infections (COVID-19) and neurodegenerative disorders.
7. To commence evaluation of the new MPL tablet in humans in Phase I/II anti-cancer trials, as a follow on from the Phase I clinical trial undertaken at the Royal Adelaide Hospital in 2015. Furthermore, to determine and characterize the pharmacokinetic parameters, the dietary requirements and the safety of the newly formulated tablet in humans in Phase I/II trials.
8. To commence evaluation of the effects of MPL upon preclinical models of neurodegenerative disease and COVID-19 to understand mechanisms of neuroprotection and anti-viral activity.
9. To identify Clinical Centres prepared to evaluate the new MPL tablet in humans with COVID-19 and neurodegenerative diseases. PharmAust has already commenced discussions with several Centres regarding the same and has made good progress to date.
10. To complete analysis of the effects of MPL upon the cancer cell transcriptome to assist identification of the mechanisms by which the anti-cancer activity is elicited.
11. To continue analysis aimed at determining the precise nature of MPL’s molecular binding mechanism within cells.

**EPICHEM PTY LTD - 100% OWNED SUBSIDIARY**

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

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

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

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Epichem finished the financial year strongly, exceeding projected revenue forecast of \$3.32 million to achieve \$3.54 million. This is in light of the Unity Ltd contract coming to an end sooner than expected and the COVID-19 Pandemic.

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

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

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

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

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

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

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

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

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

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

**PHARMAUST LTD – PARENT ENTITY**

**Annual General Meeting**

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

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

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

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

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

**COVID-19 pandemic impact**

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

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

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

**Significant Changes in State of Affairs**

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

**Net Tangible Assets**

	<b>30 June 2020</b>	<b>30 June 2019</b>
<b>Net tangible (liabilities)/ assets per share (cents/share)</b>	1.79	1.53

**Control gained over entities and loss of control over entities**

During the financial year the Company 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

**Audit Status**

This report is based on accounts which are in the process of being audited. The Audited Annual Report is expected to be released by 30 September 2020.

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**Attachments forming part of the Appendix 4E:**

Preliminary Financial Report of PharmAust Limited for the year ended 30 June 2020 is attached.

Signed By

A handwritten signature in black ink, appearing to read 'Sam Wright', with a stylized flourish at the end.

Sam Wright  
Director & Company Secretary  
31 August 2020

**PharmAust Limited**  
**Preliminary Statement of Comprehensive Income**  
**For the year ended 30 June 2020**

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

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*



**PharmAust Limited**  
**Preliminary Statement of Financial Position**  
**As at 30 June 2020**

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,880,496	2,090,625
Trade and other receivables	297,683	258,842
Other current assets	34,359	58,509
Inventory	857,570	611,816
<b>TOTAL CURRENT ASSETS</b>	<u>4,070,108</u>	<u>3,019,792</u>
<b>NON-CURRENT ASSETS</b>		
Intangible assets	3,107,476	3,107,476
Plant and equipment	3,568,717	2,468,449
<b>TOTAL NON-CURRENT ASSETS</b>	<u>6,676,193</u>	<u>5,575,925</u>
<b>TOTAL ASSETS</b>	<u>10,746,301</u>	<u>8,595,717</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	557,002	673,020
Borrowings	179,230	143,384
Provisions	191,179	105,602
Lease liabilities	175,407	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,102,818</u>	<u>922,006</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	38,206	181,230
Provisions	-	36,601
Lease liabilities	1,079,008	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>1,117,214</u>	<u>217,831</u>
<b>TOTAL LIABILITIES</b>	<u>2,220,032</u>	<u>1,139,837</u>
<b>NET ASSETS</b>	<u>8,526,269</u>	<u>7,455,880</u>
<b>EQUITY</b>		
Issued capital	53,772,433	51,388,306
Reserves	1,955,644	1,907,392
Accumulated losses	(47,201,808)	(45,839,818)
<b>TOTAL EQUITY</b>	<u>8,526,269</u>	<u>7,455,880</u>

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

**PharmAust Limited**  
**Preliminary Statement of Changes in Equity**  
**for the year ended 30 June 2020**

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

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

**PharmAust Limited**  
**Preliminary Statement of Cash Flows**  
**for the year ended 30 June 2020**

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

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

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**Notes to the preliminary financial statements**  
**for the financial year ended 30 June 2020**

**Note 1. Basis of Preparation**

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by PharmAust Limited during the reporting period in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The Preliminary Financial Statements of PharmAust Limited and its controlled entities, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board

**New and Revised Accounting Standards and Interpretations**

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

**AASB 16 Leases**

The consolidated entity has adopted AASB 16 'Leases' (AASB 16) from 1 July 2019. The standard replaces AASB 117 'Leases' (AASB 117) and for lessees, eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

*Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

*Lease liabilities*

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

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

*Transition*

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

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Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

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

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

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

	1 July 2019 \$'000
<i>Right of use assets</i>	
Buildings	1,344,748
<b>Total right of use assets</b>	<u>1,344,748</u>
Lease liabilities - current (AASB 16)	87,239
Lease liabilities - non-current (AASB 16)	1,257,509
<b>Total lease liabilities</b>	<u>1,344,748</u>
Reduction in opening retained profits as at 1 July 2019	<u><u>-</u></u>

**Note 2. 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.

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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.

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

i) Segment Performance

**Consolidated**

<b>2020</b>	<b>Corporate</b>	<b>Pharmaceutical</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
External sales	-	3,221,414	3,221,414
Other external revenue	807,683	228,194	1,035,877
Total segment revenue	807,683	3,449,607	4,257,291
Inter-segment elimination			(133,880)
Total revenue per statement of comprehensive income			4,123,411
<b>Results</b>			
Segment result from continuing operations before tax	(1,575,668)	213,678	(1,361,990)

**Consolidated**

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

**Note 3. Contingent Assets**

There are no contingent assets at the date of this report.

**PharmAust Limited**  
**Notes to the preliminary financial statements**  
**for the financial year ended 30 June 2020**

**Note 4. Contingent Liabilities**

There are no contingent liabilities at the date of this report.

**Note 5. Controlled entities**

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