



Appendix 4E
Preliminary Final Report
Year ended 30 June 2020

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DIRECTORS' COMMENTARY

PYC Therapeutics is a drug development company focused on delivering transformational therapies to patients with substantial unmet medical needs.

To achieve this objective, PYC has combined two world class capabilities - an RNA drug discovery engine with a proprietary drug delivery technology. RNA therapeutics are a class of precision medicine which has recently come of age with multiple drug approvals over the past 36 months and many more candidates in clinical and pre-clinical development. The full potential of RNA therapeutics has, however, been held back by the lack of safe and effective delivery technologies. PYC's proprietary drug delivery technology solves this challenge, by enabling the RNA therapeutic to safely reach its target inside the cell – addressing the greatest challenge standing between patients and the full potential of precision medicines.

The Group's lead drug program – poised to become the world's first disease modifying therapy for patients with retinitis pigmentosa type 11 – is currently progressing through Investigational New Drug (IND) enabling studies on a path to clinical development.

The delicate and highly specialised nature of the eye provides the ideal environment to demonstrate the advantages of RNA therapeutics over alternative modalities. The even distribution of drug throughout the entire target cellular layer and the retention of endogenous cellular control over protein expression differentiate RNA therapies and provide a compelling treatment approach for patients. These advantages feature strongly in our lead drug program which is the only disease-specific therapy currently in development for the target indication that is capable of fully rescuing the functional deficits seen in patients with this disease.

Operating Result and Financial Position

The operating loss after tax for the financial year ended on 30 June 2020 was \$7,079,539 (2019 loss: \$4,079,768).

The cash position of the Group at 30 June 2020 was \$6.9 million (30 June 2019: \$1.6 million) with a further \$18.1 million in investments being term deposits with terms of greater than 3 months (2019: \$4.5 million).

Corporate

The Group has established a US office and Executive presence in order to better facilitate three important sets of interactions through the transition to clinical stage drug developer:

- 1) Regulatory engagement – the process of engaging with the US Food and Drug Administration in support of first in human testing of the Group's lead drug candidate has begun with the submission of both Orphan Drug Designation and Rare Paediatric Disease Designation applications;
- 2) Business Development – engagement of potential industry partners to identify meaningful opportunities will remain a feature of the Group's operations and is particularly important in the context of how rapidly PYC's technology can scale across multiple indications; and
- 3) Investor Relations – the US is the most advanced life sciences market globally and the Group anticipates building a substantial institutional investor base in this market in the near future.

In November 2019, the Group completed a \$26.8m Accelerated Non-Renounceable Entitlement Offer at an issue price of \$0.055 per share to provide strength to the Group's balance sheet as we enter clinical development.

Operational

PYC took control of the entirety of the drug design and development process through the appointment of Professor Sue Fletcher as the Group's Chief Scientific Officer. A team of RNA therapeutics design experts was recruited in support of Prof. Fletcher enabling the Group to expand its pipeline of drugs in development. The integration of these capabilities with PYC's existing expertise in drug design and translation have facilitated the Group's transition to drug developer with a multi-asset pipeline.

Operational highlights during the year and up to the date of this report include:

- Successful demonstration of the efficacy of the lead drug program in patient derived models of disease;
- Successful demonstration of a dose-response relationship for the Group's drug delivery technology alongside the safety profile of the technology in animal models;
- Initiation of Investigational New Drug (IND)-enabling studies in preparation for the Group's IND submission in 2021; and
- Expansion of the Group's drug discovery efforts to include multiple other programs directed towards genetic retinal diseases with intellectual property protection filing anticipated within the remainder of 2020.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Details of the reporting period

Name of Entity: PYC Therapeutics Limited
 ABN: 48 098 391 961
 Current Reporting Period: 30 June 2020
 Previous Reporting Period: 30 June 2019

Results for announcement to the market:			Current period (\$A'000)		Previous corresponding period (\$A'000)
Revenues from ordinary activities (item 1.1)	Up 75%	To	207	From	118
Net loss from ordinary activities after tax attributable to members (item 1.22)	Up 67%	To	(6,822)	From	(4,080)
Net loss for the period attributable to members (item 1.11)	Up 67%	To	(6,822)	From	(4,080)
Dividends					
There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2020.					
Comments					
There was no commercial income included in revenues from ordinary activities for the year (2019: \$nil).					
Net tangible assets per ordinary security			30 June 2020	30 June 2019	
Net tangible assets			25,345,531	6,299,369	
Number of shares on issue at reporting date			2,931,577,991	2,442,856,658	
Net tangible assets per ordinary security			0.86 cents	0.26 cents	
Audit/Review Status					
This Appendix 4E is based on un-audited accounts attached to this notice.					
The attached financial report for the year ended 30 June 2020 forms part of this Appendix 4E. The report is based on accounts for the year ended 30 June 2020, which are in the process of being audited. Whilst the audit has not been completed at this time, it is anticipated that the independent audit report will not contain a modified opinion.					

Consolidated Statement of Profit & Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Continuing Operations			
Net interest income		207,030	117,963
Other income		62,500	250
Contract research costs		(405,000)	(2,675,984)
Personnel expenses	3	(5,753,849)	(1,770,983)
Depreciation and amortisation	4	(547,113)	(130,556)
Professional services		(607,442)	(409,789)
Travel and accommodation		(105,901)	(50,549)
Interest expense on operating leases		(42,923)	-
Intellectual property maintenance		(31,118)	(78,323)
Laboratory consumables		(1,966,856)	(1,837,418)
Occupancy costs		(5,641)	(57,345)
Other operating expenses		(278,932)	(91,154)
Loss before income tax expense		(9,475,245)	(6,983,888)
Income tax benefit	5	2,395,706	2,904,120
Net loss for the year		(7,079,539)	(4,079,768)
Net Loss for the Period attributable to:			
• Owners of the parent		(6,822,215)	(4,079,768)
• Non-controlling interests		(257,324)	-
		(7,079,539)	(4,079,768)
Other Comprehensive Income attributable to:			
• Owners of the parent		-	-
• Non-controlling interests		-	-
		-	-
Total comprehensive loss for the year attributable to:			
• Owners of the parent		(6,822,215)	(4,079,768)
• Non-controlling interests		(257,324)	-
		(7,079,539)	(4,079,768)
		Cents	Cents
Basic loss per share		(0.26)	(0.17)
Diluted loss per share		(0.26)	(0.17)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 30 June 2020

	<i>Note</i>	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	6	6,942,343	1,661,850
Trade and other receivables	7	82,665	10,827
Prepayments		50,359	26,143
Funds held in term deposits		18,185,752	4,519,553
Total current assets		<u>25,261,119</u>	<u>6,218,373</u>
Non-current assets			
Plant and equipment	8	355,912	482,869
Right-of-use assets	9	779,283	-
Intangible assets	10	4,850,000	-
Investment in joint ventures	11	300,000	-
Total non-current assets		<u>6,285,195</u>	<u>482,869</u>
Total assets		<u>31,546,314</u>	<u>6,701,242</u>
Current liabilities			
Trade and other payables	12	380,568	359,569
Employee benefits	13	172,070	42,305
Lease liabilities	14	152,967	-
Total current liabilities		<u>705,605</u>	<u>401,874</u>
Non-current liabilities			
Lease liabilities	14	645,178	-
Total non-current liabilities		<u>645,178</u>	<u>-</u>
Total liabilities		<u>1,350,783</u>	<u>401,874</u>
Net assets		<u>30,195,531</u>	<u>6,299,368</u>
Equity			
Issued capital	18	87,206,823	61,951,088
Reserves	19	4,495,740	1,275,772
Accumulated losses	20	(63,749,707)	(56,927,492)
Equity attributable to owners of the parent		27,952,855	6,299,368
Non-controlling interests		2,242,676	-
Total equity		<u>30,195,531</u>	<u>6,299,368</u>

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

		2020	2019
	<i>Note</i>	\$	\$
Cash flows from operating activities			
Cash paid to suppliers and employees		(8,353,629)	(8,139,284)
Cash used in operations		(8,353,629)	(8,139,284)
R&D tax rebate		2,395,706	2,904,120
Interest received		202,441	109,751
Interest paid – operating leases		(42,923)	-
Government grants received		50,000	-
Net cash used in operating activities	17	(5,748,405)	(5,125,413)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		-	250
Acquisition of property, plant and equipment		(106,097)	(457,539)
Funds transferred to term deposits		(13,666,199)	(4,519,553)
Investment – Murdoch University		(300,000)	-
Net cash acquired in acquisition of Vision Pharma	23	-	-
Net cash used in investing activities		(14,072,296)	(4,976,842)
Cash flows from financing activities			
Proceeds from the issue of share capital	18	26,880,723	9,120,000
Payment of transaction costs	18	(1,624,989)	(503,201)
Lease principal repaid		(145,196)	-
Net cash from financing activities		25,110,538	8,616,799
Net increase/(decrease) in cash and cash equivalents		5,289,837	(1,485,456)
Foreign exchange effect on cash		(9,344)	-
Cash and cash equivalents at the beginning of the year	6	1,661,850	3,147,306
Cash and cash equivalents at the end of the year		6,942,343	1,661,850

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	<i>Note</i>	Issued Capital \$	Accumulated Losses \$	Reserves \$	Attributable to owners of the parent \$	NCI \$	Total \$
Balance at 1 July 2018		53,334,289	(52,847,724)	1,160,712	1,647,277	-	1,647,277
Net loss for the period		-	(4,079,768)	-	(945,554)	-	(945,554)
Other comprehensive loss for the period, net of tax		-	-	-	-	-	-
Total comprehensive loss for the period		-	(4,079,768)	-	(4,079,768)	-	(4,079,768)
Shares issued		9,120,000	-	-	9,120,000	-	9,120,000
Costs of share issue		(503,201)	-	-	(503,201)	-	(503,201)
Share based payments	22	-	-	115,060	115,060	-	115,060
Balance at 30 June 2019		61,951,088	(56,927,492)	1,275,772	6,299,368	-	6,299,368
Balance at 1 July 2019		61,951,088	(56,927,492)	1,275,772	6,299,368	-	6,299,368
Net loss for the period		-	(6,822,215)	-	(6,822,215)	(257,324)	(7,079,539)
Other comprehensive loss for the period, net of tax		-	-	-	-	-	-
Total comprehensive loss for the period		-	(6,822,215)	-	(6,822,215)	(257,324)	(7,079,539)
Shares issued		26,880,723	-	-	26,880,723	-	26,880,723
Transfer between owners		-	-	2,500,000	2,500,000	-	2,500,000
Costs of share issue		(1,624,989)	-	-	(1,624,989)	-	(1,624,989)
Share based payments	22	-	-	719,968	719,968	-	719,968
Non-controlling interest arising on acquisition		-	-	-	-	2,500,000	2,500,000
Balance at 30 June 2020		87,206,823	(63,749,707)	4,495,740	27,952,855	2,242,676	30,195,531

The accompanying notes form part of these financial statements

OTHER REPORTS

DIVIDENDS PAID OR PROVIDED FOR

No dividends were declared for the year ended 30 June 2020.

DIVIDEND REINVESTMENT PLAN

No dividends or distribution reinvestment plans were in operation during the period ended 30 June 2020

NET TANGIBLE ASSETS PER SHARE

Details of the net tangible asset backing are set out in the results summary

CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

PYC Therapeutics LLC – 29 January 2020

Vision Pharma Pty Ltd – 3 July 2019

DETAILS OF ASSOCIATES AND JOINT VENTURES

Murdoch University Collaboration

OTHER SIGNIFICANT INFORMATION

At the date of this Appendix 4E, there were no matters of a significant nature.

ACCOUNTING STANDARDS FOR FOREIGN ENTITIES

Not applicable for PYC Therapeutics Limited

COMMENTARY ON THE RESULTS FOR THE YEAR

Refer to Directors Commentary and Results for Announcement to the market.

COMPLIANCE STATEMENT

The report has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). This report, and the accounts upon which the report is based, use the same accounting policies as used in previous reporting periods.

This announcement has been approved for release by the Board of PYC Therapeutics Limited



Kevin Hart

Company Secretary

31 August 2020

NOTES TO THE PRELIMINARY FINAL REPORT

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 and Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report have been applied consistently to all periods presented in this report and are consistent with those disclosed in the 2019 Annual Financial Report and the December 2019 Interim Financial Report.

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

Note 2. Revenue

(i) Government grant income

\$62,500 grant income was recognised in the year ended 30 June 2020 (2019: nil).

(ii) Commercial income

Commercial income is derived from contracts to fund research and is based upon a mixture of funding full time equivalent research salaries and milestone payments. No commercial income was recognised during the year ended 30 June 2020 (2019: \$Nil).

Note 3. Personnel expenses

	2020	2019
	\$	\$
Wages and salaries	4,291,041	1,475,406
Other associated staff costs	181,081	5,132
Contributions to defined contribution superannuation funds	365,262	71,630
Payroll tax	131,706	61,358
Increase/(Decrease) in annual leave accrual	64,791	42,397
Share based compensation - note 18	719,968	115,060
	<u>5,753,849</u>	<u>1,770,983</u>

Note 4. Depreciation and amortisation

	2020	2019
	\$	\$
Depreciation of equipment	233,053	130,556
Depreciation of ROU assets	164,060	-
Amortisation of intangibles	150,000	-
	<u>547,113</u>	<u>130,556</u>

Note 5. Income Tax

	2020	2019
	\$	\$
(i) Income tax benefit		
The prima facie tax on the operating loss is reconciled to the income tax provided in the accounts as follows:		
Prima facie tax benefit on operating loss before income tax at 27.5%	1,946,873	1,920,569
Tax effect of permanent differences	(12,234)	(53,828)
Current period tax losses and temporary differences not brought to account	(1,934,639)	(1,866,741)
R&D income tax incentive received relating to prior year	2,395,706	2,904,120
Income tax benefit	<u>2,395,706</u>	<u>2,904,120</u>

(ii) Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of the following items:

Deductible/(Assessable) temporary differences	23,478	1,243
R&D refundable tax offset receivable in relation to current year	2,175,000	2,812,705
Tax losses	10,485,026	10,204,411
	<u>12,683,504</u>	<u>13,018,359</u>

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it cannot yet be considered probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Note 6. Cash and cash equivalents

Cash and cash equivalents	6,942,343	1,661,850
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Cash at the end of the financial year as shown is the summation of operating bank accounts.

Note 7. Trade and other receivables

GST receivable	46,679	-
Accrued Interest	27,916	10,827
Other receivables	8,070	-
	<u>82,665</u>	<u>10,827</u>

Note 8. Plant and equipment

Office and research equipment at cost	1,813,237	1,707,141
Accumulated depreciation	(1,457,325)	(1,224,272)
	<u>355,912</u>	<u>482,869</u>

Reconciliation

Carrying amount at the beginning of the year	482,869	143,404
Acquisitions	106,096	470,021
Disposals	-	-
Depreciation	(233,053)	(130,556)
	<u>355,912</u>	<u>482,869</u>

Note 9. Right-of-use assets

	2020 \$	2019 \$
Cost	943,343	-
Accumulated depreciation	(164,060)	-
	<u>779,283</u>	-
Reconciliation	Note	Premises
Recognised on 1 July 2019 on adoption of AASB 16	15	943,343
Depreciation expense		(164,060)
Closing balance		<u>779,283</u>

AASB 16 Has been adopted during the period, refer Note 15 for details

Note 10. Intangible assets

Intellectual property rights acquired through Vision Pharma Pty Ltd	5,000,000	-
Less accumulated depreciation	(150,000)	-
	<u>4,850,000</u>	-

Note 11. Investment in Joint ventures

Details of the Group's material interest in joint ventures at the end of the reporting period is

	<i>Principal Activity</i>	<i>Country of Incorporation</i>	Ownership Interest		Investment balance	
			2020	2019		
PYC Therapeutics / Murdoch University collaboration	Academic-Industry Collaboration	<i>Australia</i>	50%	-	100,000	-
Vision Pharma / Murdoch University	Academic-Industry Collaboration	<i>Australia</i>	50%	-	200,000	-
					<u>300,000</u>	-

Note 12. Trade and other payables

	2020 \$	2019 \$
Trade payables	97,290	193,742
Accrued expenses	211,221	24,000
GST payable	-	38,945
Payroll tax	-	36,431
PAYG withholding	71,642	57,468
Other	415	8,983
	<u>380,568</u>	<u>359,569</u>

Note 13. Employee benefits

	2020 \$	2019 \$
Superannuation payable	285	-
Provision for annual leave	171,785	42,305
	<u>172,070</u>	<u>42,305</u>

Note 14. Lease liabilities

	2020 \$	2019 \$
Current liabilities	152,967	-
Non-current liabilities	645,178	-
	798,145	-
Reconciliation	Note	Premises
Recognised on 1 July 2019 on adoption of AASB 16	15	943,343
Principal repayments		(145,198)
Closing Balance		798,145

AASB 16 Has been adopted during the period, refer Note 15 for details.

The group has one operating lease for its premises, the lease term is three years with options to extend for three further terms of three years each.

Underlying assets serve as security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below.

	Lease payments due					
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
	\$	\$	\$	\$	\$	\$
Lease payments	187,748	188,616	188,616	188,616	188,616	47,154
Interest	(39,256)	(31,783)	(23,759)	(15,325)	(6,459)	(1,674)
Net present values	697,254	533,194	369,134	205,075	41,015	-

NOTE 15: New standards adopted**AASB 16 Leases**

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial Impact on retained earnings under this approach, and comparatives have not been restated.

The Group leases various premises, plant and equipment. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

NOTE 15: New standards adopted continued

AASB 16 Leases continued

From 1 July 2019, where the Group is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement of the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there was a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117.

NOTE 15: New standards adopted continued

AASB 16 Leases continued

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 5%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

In the Condensed Consolidated Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$943,671 and lease liabilities of \$943,671 in respect of all operating leases, other than short-term leases and leases of low-value assets.

The net impact on retained earnings on 1 July 2019 was \$nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation 4;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, with no right-of-use asset nor lease liability recognised;
- Relying on historic assessments of whether leases were onerous instead of performing impairment reviews of right-of-use assets immediately prior to the date of initial application of AASB 16;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Reconciliation of operating lease commitments previously disclosed and lease liabilities on 1 July 2019

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	\$'000
Operating lease commitments disclosed as at 30 June 2019	496,375
Discounted using the lessee's incremental borrowing rate at the date of initial application	476,649
Less: Short term leases recognised on a straight-line basis as an expense	-
Less: Low value leases recognised on a straight-line basis as an expense	-
Less: Contracts reassessed as service agreements	-
Add: Adjustment as a result of a different treatment of extension and termination options	466,694
Lease liabilities as at 1 July 2019	<u>943,343</u>

Note 16. Segment Information

The Group comprises a single business segment being the provision of drug discovery services to the international pharmaceutical industry utilising the Group's peptide libraries and proprietary screening capabilities; and a single geographical location being Australia. The segment details are therefore fully reflected in the results and balances reported in the statement of comprehensive income and statement of financial position.

Note 17. Note to the statement of cash flows

	2020	2019
	\$	\$
Reconciliation of loss for the year to net cash used in operating activities:		
Loss for the year	(7,079,539)	(4,079,768)
Depreciation, amortisation & impairment	547,113	130,556
Share based payment expense	719,967	115,060
Proceeds from the sale of fixed assets	-	(250)
Increase/(decrease) in provisions for employee benefits	129,765	59,184
Increase/(decrease) in payables	20,999	(1,334,364)
(Increase)/decrease in receivables	(96,054)	(15,831)
Foreign exchange effect on cash	9,344	-
Net cash used in operating activities	<u>(5,748,405)</u>	<u>(5,125,413)</u>

Note 18. Issued Equity**Movements in capital during the year:**

	2020	2020	2019	2019
Ordinary Shares	Shares	\$	Shares	\$
Balance at the beginning of the year	2,442,856,658	61,951,088	2,138,856,650	53,334,289
Shares issued during the year:				
- Issued at \$0.055	259,934,395	14,296,392	-	-
- Issued at \$0.055	228,636,938	12,575,031	-	-
- Issued at \$0.06	150,000	9,000	-	-
- Issued at \$0.03	-	-	304,000,008	9,120,000
- Share issue costs	-	(1,624,690)	-	(503,201)
Balance at the end of the year	<u>2,931,577,991</u>	<u>87,206,821</u>	<u>2,442,856,658</u>	<u>61,951,088</u>

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 of the Group, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. The shares have no par value.

Note 19. Reserves

	2020	2019
	\$	\$
Share based payment reserve		
Balance at the beginning of the year	1,275,772	1,160,712
Share based payments for the year	719,968	115,060
Balance at the end of the year	<u>1,995,740</u>	<u>1,275,772</u>

Note 19. Reserves continued

	2020 \$	2019 \$
Acquisition reserve		
Balance at the beginning of the year	-	-
Transfer between owners	2,500,000	-
Balance at the end of the year	2,500,000	-
Total Reserves	4,495,740	

Nature and purpose of reserves:***Share based payments reserve***

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Acquisition reserve

This reserve is used to record the non-controlling interest arising on acquisition of a subsidiary.

Note 20. Accumulated losses

	2020 \$	2019 \$
Balance at the beginning of the year	(56,927,492)	(52,847,724)
Loss for the year	(6,822,214)	(4,079,768)
Balance at the end of the year	(63,749,706)	(56,927,492)

Note 21. Options

Number and weighted average exercise prices of share options

	Weighted Average Exercise Price \$	Number of options
30 June 2020		
Outstanding at the beginning of the year	0.007	20,000,000
Exercised during the year	0.00	(150,000)
Lapsed during the year	0.00	(9,850,000)
Granted during the year	0.059	45,000,000
Outstanding at the end of the year	0.066	55,000,000
Exercisable at the end of the year	0.046	21,666,667
30 June 2019		
Outstanding at the beginning of the year	0.00	10,000,000
Exercised during the year	-	-
Lapsed during the year	-	-
Granted during the year	0.00	10,000,000
Outstanding at the end of the year	0.00	20,000,000
Exercisable at the end of the year	0.00	10,000,000

Note 21. Options continued

Options on issue during the year	Number of Options 2020	Number of Options 2019
(a) Options exercisable at \$0.06 on or before 30 May 2020:		
Balance at beginning of year	10,000,000	10,000,000
Issued during the year	-	-
Exercised during the year	(150,000)	-
Lapsed / cancelled	(9,850,000)	-
Balance at end of year	<u>-</u>	<u>10,000,000</u>
(b) Options exercisable at \$0.039 on or before 16 Nov 2021:		
Balance at beginning of year	10,000,000	-
Issued during the year	-	10,000,000
Lapsed / cancelled	-	-
Balance at end of year	<u>10,000,000</u>	<u>10,000,000</u>
(c) Options exercisable at \$0.063 on or before 28 Feb 2023:		
Balance at beginning of year	-	-
Issued during the year	20,000,000	-
Exercised during the year	-	-
Lapsed / cancelled	-	-
Balance at end of year	<u>20,000,000</u>	<u>-</u>
(d) Options exercisable at \$0.063 on or before 28 Feb 2023:		
Balance at beginning of year	-	-
Issued during the year	15,000,000	-
Lapsed / cancelled	-	-
Balance at end of year	<u>15,000,000</u>	<u>-</u>
(e) Options exercisable at \$0.11 on or before 29 Jun 2023:		
Balance at beginning of year	-	-
Issued during the year	10,000,000	-
Lapsed / cancelled	-	-
Balance at end of year	<u>10,000,000</u>	<u>-</u>

Fair value:

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black – Scholes option pricing formula.

Note 22. Share based payments

	2020 \$	2019 \$
Equity – settled share-based payments issued:		
In FY 18	11,216	27,724
In FY 19	38,957	87,336
In FY 20	669,794	-
Total recognised as employee expense	<u>719,967</u>	<u>115,060</u>

Note 22. Share based payments continued

Fair value of share options and assumptions for the year ended 30 June 2020:

During the year, 45,000,000 unlisted options were issued to key management personnel.

All options refer to options over ordinary shares of PYC Therapeutics Ltd which are exercisable on a one for one basis.

The fair value of the options is calculated at grant date using a Black–Scholes pricing model and allocated to each reporting period in accordance with the vesting profile of the options.

The value recognised is the portion of the fair value of the options allocated to the reporting period.

The factors and assumptions used in determining the fair value on grant date of options issued during the financial year as follows:

Granted during the year:

Number of Options	Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Share Price on Grant Date	Risk Free Interest Rate (%)	Estimated Volatility (%)	Number Vested as at 30 June 2020
20,000,000	17/02/2020	28/02/2023	\$0.0399	\$0.063	\$0.064	0.735	100	6,666,667
15,000,000	10/03/2020	28/02/2023	\$0.0334	\$0.06	\$0.056	0.48	100	5,000,000
10,000,000	29/06/2020	29/06/2023	\$0.5965	\$0.11	\$0.100	0.26	100	nil

NOTE 23: Acquisition of controlled entity

Acquisition

On 14 November 2019, PYC Therapeutics Limited acquired 90% of the voting shares of Vision Pharma Pty Ltd.

The total cost of the combination was \$20,000,000 and comprised the assignment of Intellectual Property Rights and cash.

Consideration transferred

Acquisition date fair value of the consideration transferred

	\$'000
Intellectual Property assignment	5,000
Cash	15,000
Total consideration	<u>20,000</u>
Direct costs relating to the acquisition	-

Assets acquired and liabilities assumed at the date of acquisition

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Vision Pharma Pty Ltd based upon the best information available as of the reporting date.

NOTE 23: Acquisition of controlled entity continued

Provisional business combination accounting is as follows:

	Fair value \$'000
Cash and cash equivalents	15,000
Intellectual Property	<u>5,000</u>
Provisional fair value of identifiable net assets	<u>20,000</u>
Total Consideration	<u>20,000</u>
Cash acquired	15,000
Cash consideration	<u>(15,000)</u>
Net cash acquired	<u>-</u>