PYC Therapeutics

September 22, 2021

Annual Report for the year ended 30th June 2021

PYC Therapeutics Limited ("**PYC**" or "**the Company**") submits its Annual Report for the year ended 30th June 2021.

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

For further information, please contact:

Kevin Hart

Company Secretary

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About PYC Therapeutics

PYC Therapeutics (ASX: PYC) is a development-stage biotechnology company pioneering a new generation of RNA therapeutics that utilize PYC's proprietary library of naturally derived cell penetrating peptides to overcome the major challenges of current genetic medicines. PYC believes its PPMO (Peptide conjugated Phosphorodiamidate Morpholino Oligomer) technology enables a safer and more effective RNA therapeutic to address the underlying drivers of a range of genetic diseases for which no treatment solutions exist today. The Company is leveraging its leading-edge science to develop a pipeline of novel therapies including three preclinical stage programs focused on inherited eye diseases and preclinical discovery efforts focused on neurodegenerative diseases. PYC's discovery and laboratory operations are located in Australia, and the Company's preclinical, clinical, regulatory and corporate operations are based in San Diego, California. For more information, visit pyctx.com, or follow us on LinkedIn and Twitter.

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PYC Therapeutics

ABN: 48 098 391 961

Annual Report

for the year ended
30 June 2021

Directors	Mr Alan Tribe: Non-Executive Director and Chairperson Dr Rohan Hockings: Chief Executive Officer Mr Sahm Nasseri: Chief Executive Officer USA subsidiary PYC Therapeutics LLC - appointed 10 December 2020 Dr Michael Rosenblatt: Non-Executive Director - appointed 17 March 2021 Mr Jason Haddock: Non-Executive Director - appointed 29 March 2021 **Former Directors** Mr Douglas Huey: Executive Director USA subsidiary PYC Therapeutics LLC - retired 6 November 2020 Dr Bernard Hockings: Non-Executive Director - retired 26 March 2021
Company secretary	Mr Kevin Hart
Registered office	Suite 8, 7 The Esplanade Mt Pleasant Western Australia 6153 Telephone: +61 8 9316 9100 Facsimile: +61 8 9315 5475
Postal Address	Suite 8, 7 The Esplanade Mt Pleasant Western Australia 6153 Australia
Principal place of business	Harry Perkins Institute 6 Verdun Street Nedlands Western Australia 6009 Telephone: +61 8 6151 0992 Facsimile: +61 8 9315 5475
Share register	Automic Group Level 2, 267 St Georges Terrace Perth Western Australia 6000 Telephone within Australia: 1300 228 664 Telephone outside Australia: +61 2 8072 1400
Auditor	PricewaterhouseCoopers Level 15, 125 St Georges Terrace Perth Western Australia 6000
Stock exchange listing	PYC Therapeutics Limited shares are listed on the Australian Securities Exchange (ASX code: PYC) Incorporated in Western Australia, October 2001
Website	www.pyctx.com

Dear PYC Shareholders,

PYC Therapeutics is a precision medicine company developing first in class and best in class treatments for patients with poor or no existing treatment options across a range of diseases. The company's initial focus is on blinding diseases of the eye. PYC combines two platforms:

- its proprietary drug delivery technology; with
- RNA drug design capability

to create a powerful new class of precision therapy. This combination technology is differentiated by its breadth, depth and evenness of distribution within the target tissue.

Through the delivery of its precise and potent drug cargoes, PYC holds the promise of reaching (and therefore saving) more disease-affected cells than alternative therapeutic approaches – which should lead to better outcomes for patients.

The 'privileged access' that PYC's technology has to the retina (the back of the eye) holds the promise of preventing millions of patients worldwide from going blind. In order to realise this potential, the Company must succeed in two dimensions in the near-term:

i. Progressing its lead assets into clinical studies to prove the efficacy and safety of its approach in humans; and
ii. Leverage the platform nature of its drug delivery technology to efficiently scale into additional disease indications with significant unmet needs.

On the former dimension, the Company is in the final stages of pre-clinical testing aimed at demonstrating the safety and tolerability of its treatment approach with commencement of 'first in human' studies planned to begin within 12 months.

On the latter dimension, the Company is expanding the range of diseases that it is addressing from unmet needs in rare, genetic diseases into more common causes of blindness (including age-related macular degeneration and glaucoma).

In addition, beyond the eye, development efforts are now well underway in the Central Nervous System to leverage the strengths of PYC's technology into novel treatments for devastating neurodegenerative diseases. This is an area with considerable potential for the Company.

PYC is well-positioned for the transition to a clinical-stage biotechnology Company and is now set to benefit from:

i. the extraordinary clinical success rates for the genetic medicines that represent the cornerstone of the Company's pipeline;
ii. the rapid clinical development path for the therapies addressing unmet needs;
iii. the much larger target markets represented by the more common diseases in the eye that PYC expects to add to its pipeline in the near future; and
iv. the prospect of demonstrating that the same competitive advantages that PYC has defined in the eye extend to other target tissues (e.g. the Central Nervous System) to demonstrate the full scalability of the Company's platform.

FY2021 has seen a significant amount of progress made towards the realisation of the Company's vision. Specific highlights of the past year include:

- **Balance sheet strength -** PYC successfully completed a substantial capital raising in November 2020 that sees the Company begin FY2022 with ~$50 million in cash (before considering the impact of the R&D rebate);
- **Progress in lead program –** PYC's most advanced drug program has begun the safety and tolerability testing that will enable human studies to begin and the results of these studies are expected prior to the Annual General Meeting;
- **Pipeline expansion –** A co-lead program was announced and the critical efficacy data was successfully delivered in models derived from patients with the target disease indication; and
- **US presence –** An office was established in the US to facilitate enhanced investor relations in the US market, improve business development prospects and facilitate interactions with the US Food and Drug Administration as the Company progresses into clinical development.

A substantial amount of intrinsic shareholder value was created through the progress made in FY2021. This value will crystallise for PYC's delivery platform through successful results in the large animal assessment currently underway in the Company's co-lead program. Success in this setting will enable the Company to rapidly progress multiple additional drug candidates into clinical development with the potential to create life-changing new therapies which are urgently required by patients.

Through the development and progression into clinical evaluation of life-changing therapies for patients across a range of diseases, PYC will create substantial value for its shareholders over the coming 12 months. We look forward to sharing the journey of recognising and continuing to expand that value-creation with you.

Yours sincerely,

Rohan Hockings
Chief Executive Officer
PYC Therapeutics Limited

Forward looking statements
Any forward-looking statements in this report have been prepared on the basis of a number of assumptions which may prove incorrect and the current intentions, plans, expectations and beliefs about future events are subject to risk, uncertainties, and other factors, many of which are outside the Company's control. Important factors that could cause actual results to differ materially from assumptions or expectations expressed or implied in this report include known and unknown risks. Because actual results could differ materially to assumptions made and the Company's current intentions, plans, expectations and beliefs about the future, you are urged to view all forward-looking statements contained in this report with caution. The Company undertakes no obligation to publicly update any forward-looking statement whether as a result of new information, future events or otherwise.

PYC Therapeutics

Our Values

Purpose-first

Life-changing science is our focus, we start there and everything else follows.

Curious to learn

We are always looking to learn and find new ideas from each other and from outside PYC. We are creative and not afraid to try something that might fail, so long as we learn and improve our outcomes in doing so.

Transparent and committed

We are one team, open with each other - the good, the bad and the ugly. We communicate with clarity, concisely and respectfully. We debate choices robustly and once a decision is taken, we commit wholly as one.

Connected

We take pride in defining our priorities and owning our outcomes. We know how our individual work fits together to achieve our common purpose. We invest as much effort in helping others succeed as we do our own work.

Excellence with urgency

We seek ever higher standards in what we do every day. At the same time, we are sharply focused on driving outcomes, and we find ways to move fast as our patients cannot wait.

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of PYC Therapeutics Limited and its controlled entities (referred to hereafter as the 'Company' or 'Parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021, and the audit report thereon.

1. Directors

The following persons were Directors of PYC Therapeutics Limited and its controlled entities during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Alan Tribe
Non-Executive Director and Chairperson

Dr Rohan Hockings
Chief Executive Officer

Mr Sahm Nasseri
Chief Executive Officer USA subsidiary PYC Therapeutics LLC
- appointed 10 December 2020

Dr Michael Rosenblatt
Non-Executive Director - appointed 17 March 2021

Mr Jason Haddock
Non-Executive Director - appointed 29 March 2021

<u>Former Directors</u>
Mr Douglas Huey
Executive Director USA subsidiary PYC Therapeutics LLC - from the beginning of the financial year until retirement on 6 November 2020

Dr Bernard Hockings
Non-Executive Director - from the beginning of the financial year until retirement on 26 March 2021

Information on Directors

Name:	Mr Alan Tribe
Title:	Non-Executive Director and Chairperson
Experience and expertise:	Mr Tribe has a background in the accounting profession both in the UK and Australia. Moving into industry he became the Managing Director of a group of companies with interests in natural resources in Australia and overseas. The group also included a technology Group which grew through both successful product development and acquisitions. He was closely involved in establishing subsidiary operations in the USA, UK and Singapore to access markets worldwide. Most recently he was the catalyst for the development of large retail operations in Western and South Australia. Mr Tribe will contribute his broad experience in successfully commercialising technology internationally. He represents a large shareholding in PYC.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	971,420,136 Ordinary shares
Interests in options:	Nil

Name:	Dr Rohan Hockings M.B.B.S (Hons.), J.D., G.D.L.P
Title:	Chief Executive Officer
Experience and expertise:	Dr Hockings spent four years with McKinsey & Company and a further two years in the Private Equity industry before joining PYC Therapeutics. He brings a deep affinity for conceptual thinking to PYC Therapeutics along with an understanding of the company's technology and its commercialisation path. Dr Hockings is a founding principal of a private equity fund active in the acquisition of health care assets within Australia. His previous roles include strategy and operational advisory positions with a global management consulting firm, equity capital markets experience as a solicitor with a national law firm and a number of appointments as a medical practitioner. Dr Hockings has a special interest in both venture capital and private equity within the healthcare industry. Dr Hockings holds double degrees in medicine and law. He has worked across both disciplines following an internship at Sir Charles Gairdner Hospital and admission to practice in the Supreme Court of Victoria respectively.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	10,000,000 Ordinary shares
Interests in options:	Nil

Name:	Mr Sahm Nasseri BEng, MBA
Title:	Chief Executive Officer USA subsidiary PYC LLC - appointed 10 December 2020
Experience and expertise:	Mr Nasseri brings an extensive background in commercial drug development from his roles over the past seven years in the USA with Merck & Co, one of the world's leading global biopharma companies. In that time, he has led product teams and commercial strategy across a range of therapeutic areas, modalities and geographies as well as within Merck's investor relations and business development functions. Prior to Merck, Mr Nasseri was a consultant with McKinsey & Company in Sydney. Mr Nasseri holds a Bachelor of Chemical Engineering with Honours from the University of New South Wales and an MBA from Columbia Business School in New York City.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	32,000,000 unlisted options exercisable by the payment of $0.15 on or before 30 November 2023 subject to vesting conditions

Name:	Dr Michael Rosenblatt BA, MD
Title:	Non-Executive Director - appointed 17 March 2021
Experience and expertise:	Dr Rosenblatt is currently a Senior Partner of Flagship Pioneering. Dr Rosenblatt joined Flagship from Merck, where he served as Executive Vice President and Chief Medical Officer from 2009 to 2016. During an earlier period at Merck, he led drug discovery efforts in ophthalmology, molecular biology, bone biology, virology, cancer research, gastroenterology, lipid metabolism and cardiovascular research. He has held appointments as Dean of Tufts University School of Medicine; Robert H. Ebert Professor of Molecular Medicine and George R. Minot Professor of Medicine, both at Harvard Medical School; President, Harvard Faculty Dean and Senior Vice President for Academic Programs of Beth Israel Deaconess Medical Center; and Director of the Harvard-MIT Division of Health Sciences and Technology. Dr Rosenblatt has served as a founding scientist, scientific advisory board member or director of more than 12 biopharmaceutical companies. He received his BA summa cum laude from Columbia University and his MD magna cum laude from Harvard Medical School, and completed internship, residency and endocrinology training at the Massachusetts General Hospital.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	2,500,000 unlisted options exercisable by the payment of $0.17 on or before 23 March 2031, subject to vesting conditions

Name:	Mr Jason Haddock BS, MBA
Title:	Non-Executive Director - appointed 29 March 2021
Experience and expertise:	Jason Haddock has more than 20 years of financial and operational experience in the biopharmaceutical industry and currently serves as a Board Director of Codiak Biosciences, a biotech company developing precision exosome therapeutics. He served as CFO at Array BioPharma, Inc., where he was instrumental in the execution of an oncology-focused research, development and commercialization strategy that culminated in the successful launch of two new drugs and the company ultimately being acquired by Pfizer. Prior, he worked at Bristol-Myers Squibb in a variety of finance, strategic, commercial and business development capacities, including CFO and COO roles for business units in Asia Pacific, Europe and the United States. Mr. Haddock has also served as CFO for ArcherDX as the company was acquired by Invitae to create a global leader in comprehensive cancer genetics and precision oncology. He holds a BS in accounting from Illinois State University and an EMBA from Washington University in St. Louis.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	2,500,000 unlisted options exercisable by the payment of $0.17 on or before 29 March 2031, subject to vesting conditions

Former Directors

Name:	Mr Douglas Huey MBA
Title:	Executive Director - Managing Director USA subsidiary PYC Therapeutics LLC - retired 6 November 2020
Experience and expertise:	Mr Huey joined PYC from McKinsey & Group, where he was a Partner and a leader in the firm's Strategy & Corporate Finance practice. Originally from the United States of America, Mr Huey moved to Australia in 2013 and successfully helped grow McKinsey's newly opened Perth office. With two decades of professional experience, Mr Huey led global multi-disciplinary teams to transform the performance of his clients. Mr Huey holds an MBA from the prestigious Kellogg School of Management, where he graduated with distinction, and he brings a diverse range of capabilities across strategy, finance, and operations.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	6,666,667 unlisted options exercisable by the payment of $0.063 on or before 28 February 2023. On retirement Mr Huey retained 6,666,667 options.

Name:	Dr Bernard Hockings R.F.D., MD (WA), M.B.B.S (WA), F.R.A.C.P., F.C.S.A.N.Z, GAICD
Title:	Non-Executive Director - retired 26 March 2021
Experience and expertise:	Dr Hockings retired as an Interventional Cardiologist in Private Practice in Western Australia in July 2017. He is a Clinical Associate Professor in Medicine at the University of Western Australia. Previously he was Director of the Coronary Care Unit at Royal Perth Hospital, Chair of the Medical Advisory Committee at the Mount Hospital and Director of Health Reserves (WA) for the Royal Australian Air Force. Dr Hockings has a lifelong interest in medical research. His Doctoral Thesis involved Vasodilator Therapy in the treatment of heart failure. He has been closely involved with clinical teaching throughout his career. Dr Hockings is a major shareholder in PYC.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	266,600,748 Ordinary shares
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

2. Company Secretary

Mr Kevin Hart BComm FCA
Group Secretary/Chief Financial Officer

Mr Hart holds a Bachelor of Commerce Degree and is a Chartered Accountant. He is a Partner at Endeavour Corporate Pty Ltd, an advisory firm that specialises in the provision of Group secretarial and accounting services to ASX listed entities. Mr Hart has more than 30 years of professional experience with the accounting and management of public companies.

3. Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board Attended	Full Board Held
Mr Alan Tribe	8	8
Dr Rohan Hockings	8	8
Dr Bernard Hockings[1]	6	6
Mr Jason Haddock[2]	2	2
Dr Michael Rosenblatt[3]	2	2
Mr Douglas Huey[4]	4	4
Mr Sahm Nasseri[5]	4	4

Held: represents the number of meetings held during the time the Director held office.

1. Dr Bernard Hockings retired 26 March 2021
2. Mr Jason Haddock appointed 29 March 2021
3. Dr Michael Rosenblatt appointed 17 March 2021
4. Mr Douglas Huey retired 6 November 2020
5. Mr Sahm Nasseri appointed 10 December 2020

4. Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- drug discovery and development; and
- progressing the company's two co-lead programs (VP-001 and VP-002) through preclinical development activities.

5. Operating Results and Financial Position

Financial performance

The consolidated results of the Group for the year reflects the Group's investment in advancing its drug development.

	2021 $	2020 $
Operating loss after tax	(18,630,001)	(7,079,539)
R&D tax incentive receipts	3,071,018	2,395,706

Financial position

The consolidated financial position of the Group includes the following key balances:

Group	2021 $	2020 $
Cash position	18,435,199	7,242,343
Net current assets	48,483,940	24,855,514
Investments held in term deposits greater than 3 months	33,067,094	18,185,752

6. Review of Activities

Corporate

During the year the Group was focussed on drug discovery and development leveraging the Company's two complementary platform technologies (selective drug delivery and precision drug design). Core focus during the year was advancing the Company's two lead RNA therapeutic programs closer to clinical development while undertaking discovery efforts to further expand the Company's pipeline towards additional ocular and Central Nervous System (CNS) drug programs.

In October 2019 the Company announced a strategic partnership with the Lions Eye Institute (LEI) to develop treatments for blinding eye diseases. The Company's 90% owned (LEI-10%) subsidiary Vision Pharma Pty Ltd is progressing the first disease-modifying treatment for patients with a disease called Retinitis Pigmentosa - a leading cause of childhood blindness.

Through the year, the Company has continued to deepen its presence in the USA for two key reasons in order to:

- Access to critical drug development expertise and networks, including Regulatory engagement to support the accelerated progression of the Group's VP-001 drug program for Retinitis Pigmentosa type 11 towards first-in-human trials; and
- Engage with the world's leading business development partners and life science investors to establish the Company as a global leader in Ribonucleic Acid (RNA) therapeutics. The Company anticipates these engagements will create meaningful opportunities to more quickly progress and expand the Company's science and development programs.

Operational

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

- Successfully progressed VP-001 program for the treatment of Retinitis Pigmentosa type 11 through important preclinical milestones. This included the commencement of larger animal studies with key data readouts expected from those in 2H 2021. The Company remains on-track for an Investigational New Drug application for this program in mid-2022.
- Advanced VP-002 program for the treatment of Autosomal Dominant Optic Atrophy through the achievements of effective delivery to target cells in the retina *in vivo,* and the upregulation of the target OPA1 protein and correction of major functional deficits in patient-derived cells. Additional efficacy results from patient-derived cells and animal models are anticipated in 2H 2021.
- Expanded application of the Company's PPMO technology to the CNS after demonstrating successful delivery of high levels of RNA therapeutic in mouse brains. Company remains on-track to nominate a first CNS development program in 2H 2021.

COVID-19

The company has been able to maintain progress on the VP-001 program with only minor developmental delays despite the COVID restrictions. Critical laboratory activities have continued, and the majority of personnel are working at PYC's offices.

7. Significant changes in the state of affairs

The Company has made significant progress during the period with the commencement of larger animal studies for the VP-001 program, which is a critical step towards Investigational New Drug (IND) filing which remains on-track for mid-2022.

In October 2020, the Company raised $35.2 million from fully subscribed entitlement and placement offer from institutional investors. A further $5.5 million was raised from the retail component of the entitlement offer.

There were no other significant changes in the state of affairs of the Group during the financial year.

8. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

9. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

10. Indemnities and insurance premiums for officers

During the financial year, the Group paid a premium to insure the directors and secretaries of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

11. Non-audit services

There were no non-audit services provided during the financial year by the auditor.

12. Shares under option

Unissued ordinary shares of PYC Therapeutics Limited and its controlled entities under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
23/03/2021	23/03/2024	$0.210	3,000,000
23/03/2021	29/03/2031	$0.170	2,500,000
17/02/2020	28/02/2023	$0.063	6,666,667
03/11/2020	28/02/2023	$0.063	13,333,333
10/03/2020	28/02/2023	$0.060	15,000,000
16/12/2020	30/11/2023	$0.150	32,000,000
23/03/2021	28/02/2031	$0.170	6,000,000
23/03/2021	23/03/2031	$0.170	2,500,000
			81,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

13. Shares issued on the exercise of options

The following ordinary shares of PYC Therapeutics Limited and its controlled entities were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
16 November 2018 (exercised 10 June 2021)	$0.039	10,000,000

14. Environmental regulation

The Group complies with all laboratory practice regulations, including, Materials and Materials Handling Practice, Animal Handling Practice, and Office of the Gene Technology Regulator (OGTR) Approval.

15. Corporate Governance

The Group's corporate governance statement can be found on the Group's website https://pyctx.com

16. Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- 16.1 Principles used to determine the nature and amount of remuneration
- 16.2 Service agreements
- 16.3 Details of remuneration
- 16.4 Share-based compensation

16.1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- achievement of strategic objectives
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives
- establishment of revenue streams and growth of the Group's share price

Additionally, the reward framework should seek to enhance the Group's executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive Director remuneration is separate.

Non-Executive Directors remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 27 November 2014, where the shareholders approved a maximum annual aggregate remuneration of $300,000, excluding share-based remuneration. Options issued to the Non-Executive Directors have been approved by the Board.

The Group makes contributions at the statutory minimum rate to superannuation funds nominated by Directors, in addition to the base fee.

Directors' fees cover all main board activities and committee memberships.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include progressing the Company's lead drug programs (VP-001 and VP-002) in preparation for IND filings and creation of a pipeline of discovery assets for retinal disease and diseases of the central nervous system.

Short Term Incentives are usually in the form of cash bonuses calculated based on achievement of Key Performance Indicators (KPI's).

The long-term incentives ('LTI') include long service leave and the Employee Share Option Plan. Long term incentives for senior executives are through the grant of share options vesting over time. The options are granted free of charge and are exercisable at a fixed price. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021.

Consolidated entity performance and link to remuneration
Performance linked compensation includes short term incentives (STI), in the form of cash bonuses paid upon the achievement of predetermined Key Performance Indicators (KPI), and long-term incentives (LTI) provided as options under the Employee Share Option Plan. In the case of Executive Directors, the number and conditions of the options are approved by the shareholders in general meeting.

Consequences of performance on shareholders' wealth
The Board has regard to a broad range of factors in considering the Group's performance and how best to generate shareholder value. These include financial factors, securing new drug discovery partnerships and others that relate to meeting the objectives of existing discovery alliances, scientific progress of the Group's in-house projects, grants awarded, staff development etc. The Board has some, but not absolute regard to the Group's result and cash consumption during the year. It does not utilise earnings per share as a performance measure nor does it contemplate consideration of any dividends in the short to medium term, given that efforts are being expended to build the business and generate self-sustaining revenue streams. The Group is of the view that any adverse movement in the Group's share price should not be taken into account in assessing the performance of employees, unless such a measure is agreed with the executive as a KPI.

Use of remuneration consultants
During the financial year ended 30 June 2021, the Group, through the Board, did not engage the services of remuneration consultants.

Voting and comments made at the Company's 6 November 2020 Annual General Meeting ('AGM')
At the 6 November 2020 AGM, 99.99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

16.2 Service agreements

Name	Dr Rohan Hockings
Position	Chief Executive Officer
Term Expiring	30 June 2022
Salary	$395,000
STI	Payment of up to $198,000. The performance criteria, assessment and timing are determined at the discretion of the Board.
Options	Nil
Termination Notice	If terminated by the Group, twelve months' notice and two months' notice by the individual.

Name	Mr Sahm Nasseri
Position	Chief Executive Officer USA subsidiary PYC LLC - appointed 10 December 2020
Term Expiring	9 November 2022
Salary	USD 495,000
Options	32,000,000 options subject to vesting conditions.
Termination Notice	If terminated by the Group, three months' notice and one months' notice by the individual.

Company Secretarial services are provided by a contractor with no financial commitment by the Group other than a monthly fee, payable in arrears, for services rendered by employees of the service company, including the company secretary.

16.3 Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Leave entitlement	Share-based payments	
2021	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Annual leave and Long service leave $**	**Value of options $**	**Total $**
Non-Executive Directors:							
Mr A Tribe	63,927	-	-	6,073	-	-	70,000
Dr B Hockings[1]	32,850	-	-	-	-	-	32,850
Mr J Haddock[3]	15,585	-	-	-	-	93,749	109,334
Dr M Rosenblatt[4]	17,542	-	-	-	-	93,749	111,291
Executive Directors:							
Dr R Hockings[6]	395,000	-	-	-	22,503	-	417,503
Mr D Huey[2]	281,032	-	16,869	-	(23,317)	(142,573)	132,011
Mr S Nasseri[5]	363,152	-	25,130	-	13,867	1,895,109	2,297,258
	1,169,088	-	41,999	6,073	13,053	1,940,034	3,170,247

1. Dr B Hockings retired 26 March 2021
2. Mr D Huey retired 6 November 2020
3. Mr J Haddock appointed 29 March 2021
4. Dr M Rosenblatt appointed 17 March 2021
5. Mr S Nasseri appointed 10 December 2020
6. Mr R Hocking's cash salary and fees, which are paid under a contractor arrangement, include superannuation.

The Group pays an insurance premium for Group reimbursement and Directors' and Officers' liability insurance as a combined amount. The portion of the premium which relates to Directors and Officers has not been included as part of remuneration.

	Short-term benefits			Post-employment benefits	Leave entitlement	Share-based payments	
	Restated*,**		Restated**	Restated*	Restated***		
2020	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Annual leave and Long service leave $**	**Value of options $**	**Total $**
Non-Executive Directors:							
Mr A Tribe	63,927	-	-	6,073	-	-	70,000
Dr B Hockings	43,800	-	-	-	-	-	43,800
Executive Directors:							
Dr R Hockings	395,000	-	-	-	37,461	38,957	471,418
Mr D Huey[1]	362,470	-	15,054	-	26,079	408,552	812,155
	865,197	-	15,054	6,073	63,540	447,509	1,397,373

1. Mr D Huey was appointed Executive Director 11 February 2020

* Mr A Tribe's cash salary and superannuation have been restated because the total remuneration of $70,000 included superannuation of $6,073.

** Mr D Huey's health insurance of $15,054 has been restated under non-monetary benefit instead of cash salary and fees.

*** Mr D Huey and Dr R Hocking's leave entitlements were not disclosed in 2020. Their leave entitlements have been included in the table above for comparative purposes.

The Group pays an insurance for Group reimbursement and Directors' and Officers' liability as a combined amount. The portion of the premium which relates to Directors and Officers has not been included as part of remuneration.

16.4 Share-based compensation

Issue of shares

On 10 June 2021 Dr R Hockings exercised 10,000,000 options at the exercise price of $0.039 per option.

Options

All options refer to options over ordinary share of PYC Therapeutics Limited which are exercisable on a one-for-one basis.

During the year ended 30 June 2021, 37,000,000 options over ordinary shares in the Group were granted as compensation to key management personnel (30 June 2020: 20,000,000) The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mr S Nasseri	32,000,000	16/12/2020	Note 1	30/11/2023	$0.150	$0.092
Dr M Rosenblatt	2,500,000	23/03/2021	Note 2	23/03/2031	$0.170	$0.152
Mr J Haddock	2,500,000	23/03/2021	Note 2	29/03/2031	$0.170	$0.152

1 Vesting over three tranches:
- 1 May 2021;
- 1 Nov 2021;
- 1 Nov 2022.

2 Vesting over six tranches:
- 23 Aug 2021;
- 23 Feb 2022;
- 23 Aug 2022;
- 23 Feb 2023;
- 23 Aug 2023;
- 23 Feb 2024.

Exercise of options granted as compensation

On 10 June 2021 Dr R Hockings exercised 10,000,000 options at the exercise price of $0.039 per option. (30 June 2020: Nil).

Options granted carry no dividend or voting rights. There are no other service conditions associated with these options other than the service period.

Analysis of options and rights over equity instruments granted as compensation

Key Management Personnel	Options Granted Number	Grant date	Vested in year %	Forfeited in year %	Financial years in which grant vests	Value yet to vest Minimum $	Value yet to vest Maximum $
Mr S Nasseri[1]	32,000,000	16/12/2020	31	-	2021, 2022	-	1,036,085
Dr M Rosenblatt[2]	2,500,000	23/03/2021	-	-	2021 to 2024	-	286,861
Mr J Haddock[2]	2,500,000	23/03/2021	-	-	2021 to 2024	-	286,861

1 Remaining options exercising over two tranches
- 1 Nov 2021; and
- 1 Nov 2022.

2 Vesting over six tranches:
- 23 Aug 2021;
- 23 Feb 2022;
- 23 Aug 2022;
- 23 Feb 2023;
- 23 Aug 2023;
- 23 Feb 2024.

The methodology used to arrive at a fair value of the options issued during the current financial year is set out in note 33.

Key Management Personnel	Balance at 1 July 2020	Granted as compensation	Exercised	Other changes	Balance at 30 June 2021	Vested during the year	Vested & Exercisable 30 June 2021
Directors							
Dr R Hockings	10,000,000	-	(10,000,000)	-	-	-	-
Mr S Nasseri	-	32,000,000	-	-	32,000,000	10,000,000	10,000,000
Dr M Rosenblatt	-	2,500,000	-	-	2,500,000	-	-
Mr J Haddock	-	2,500,000	-	-	2,500,000	-	-
Former Directors							
Mr D Huey	20,000,000	-	-	(13,333,333)	-	-	6,666,667

On 3 November 2020 options were transferred to Professor S Fletcher by Mr D Huey on his retirement. Mr D Huey's options were accounted for as a forfeiture and Professor S Fletcher's as a new grant at the transfer date.

Shareholdings

The movement during the reporting period in the number of ordinary shares in the Group held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

Key Management Personnel	Balance 1 July 2020	Purchases	Other	Granted as Compensation	Sales	Balance 30 June 2021
Directors						
Mr A Tribe	882,563,760	88,856,376	-	-	-	971,420,136
Dr R Hockings	-	10,000,000	-	-	-	10,000,000
Mr S Nasseri	-	-	-	-	-	-
Dr M Rosenblatt	-	-	-	-	-	-
Mr J Haddock	-	-	-	-	-	-
Former Directors						
Mr D Huey	-	-	-	-	-	-
Dr B Hockings	263,659,571	2,941,177	-	-	-	266,600,748

Key management personnel transactions

Other than the above, there were no amounts paid or payable to key management personnel during the reporting period or at reporting date.

This concludes the remuneration report, which has been audited.

17. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

18. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

____
Rohan Hockings
Chief Executive Officer

22 September 2021
Perth

Auditor's Independence Declaration

As lead auditor for the audit of PYC Therapeutics Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PYC Therapeutics Limited and the entities it controlled during the period.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
22 September 2021

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General information

The financial statements cover PYC Therapeutics Limited and its controlled entities as a Group consisting of PYC Therapeutics Limited and its controlled entities and the entities it controlled at the end of, or during the year. The financial statements are presented in Australian dollars, which is PYC Therapeutics Limited and its controlled entities' functional and presentation currency.

PYC Therapeutics Limited and its controlled entities is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Suite 8, 7 The Esplanade Mt Pleasant WA 6153	Harry Perkins Institute 6 Verdun Street Nedlands WA 6009

The principal activity of the Company during the financial year was drug development and progressing the Company's lead drug through the Investigational New Drug (IND) pathway to clinical development.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 22 September 2021. The Directors have the power to amend and reissue the financial statements.

	Note	2021 $	2020 $ Restated*
Revenue			
Other income	5	3,241,669	2,665,236
Total revenue		3,241,669	2,665,236
Expenses			
Research and development expenditure	6	(14,003,715)	(5,877,835)
General and administrative expenses	7	(7,829,133)	(3,824,017)
Finance costs		(38,822)	(42,923)
Total expenses		(21,871,670)	(9,744,775)
Loss before income tax expense		(18,630,001)	(7,079,539)
Income tax expense	8	-	-
Loss after income tax expense for the year		(18,630,001)	(7,079,539)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(18,630,001)	(7,079,539)
Loss for the year is attributable to:			
Non-controlling interest		(862,415)	(257,324)
Owners of PYC Therapeutics Limited and its controlled entities	20	(17,767,586)	(6,822,215)
		(18,630,001)	(7,079,539)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(862,415)	(257,324)
Owners of PYC Therapeutics Limited and its controlled entities		(17,767,586)	(6,822,215)
		(18,630,001)	(7,079,539)
		Cents	**Cents**
Basic loss per share	32	(0.57)	(0.26)
Diluted loss per share	32	(0.57)	(0.26)

* See note 5 for details regarding R&D tax incentive reclassification and note 1 for details regarding the restatement as a result of changing presentation of expenses from by nature to by function.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	9	18,435,199	7,242,343
Funds held in term deposits	10	33,067,094	18,185,752
Trade and other receivables	11	185,634	82,665
Other assets		93,057	50,359
Total current assets		51,780,984	25,561,119
Non-current assets			
Property, plant and equipment	13	745,507	355,912
Right-of-use assets	12	740,768	779,283
Intangibles	14	4,650,000	4,850,000
Other assets		23,595	-
Total non-current assets		6,159,870	5,985,195
Total assets		57,940,854	31,546,314
Liabilities			
Current liabilities			
Trade and other payables	15	2,928,128	380,568
Lease liabilities	16	187,530	152,967
Employee benefits	17	181,386	172,070
Total current liabilities		3,297,044	705,605
Non-current liabilities			
Lease liabilities	16	542,824	645,178
Employee benefits	17	176,725	-
Total non-current liabilities		719,549	645,178
Total liabilities		4,016,593	1,350,783
Net assets		53,924,261	30,195,531
Equity			
Issued capital	18	125,991,333	87,206,822
Reserves	19	8,569,960	4,995,740
Accumulated losses	20	(81,517,293)	(63,749,707)
Equity attributable to the owners of PYC Therapeutics Limited and its controlled entities		53,044,000	28,452,855
Non-controlling interest	21	880,261	1,742,676
Total equity		53,924,261	30,195,531

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

	Issued capital $	Share based payment reserve $	Transactions with NCI reserve $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	61,951,088	1,275,772	-	(56,927,492)	-	6,299,368
Loss after income tax expense for the year	-	-	-	(6,822,215)	(257,324)	(7,079,539)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(6,822,215)	(257,324)	(7,079,539)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 18)	25,255,734	-	-	-	-	25,255,734
Share-based payments (note 33)	-	719,968	-	-	-	719,968
Transfer between owners	-	-	3,000,000	-	(3,000,000)	-
Non-controlling interest arising on acquisition	-	-	-	-	5,000,000	5,000,000
Balance at 30 June 2020	87,206,822	1,995,740	3,000,000	(63,749,707)	1,742,676	30,195,531

	Issued capital $	Share based payment reserve $	Transactions with NCI reserve $	Foreign currency translation reserve $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2020	87,206,822	1,995,740	3,000,000	-	(63,749,707)	1,742,676	30,195,531
Loss after income tax expense for the year	-	-	-	-	(17,767,586)	(862,415)	(18,630,001)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(17,767,586)	(862,415)	(18,630,001)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs (note 18)	38,784,511	-	-	-	-	-	38,784,511
Share-based payments (note 33)	-	3,628,776	-	-	-	-	3,628,776
Foreign currency translation reserve	-	-	-	(54,556)	-	-	(54,556)
Balance at 30 June 2021	125,991,333	5,624,516	3,000,000	(54,556)	(81,517,293)	880,261	53,924,261

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

	Note	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(15,010,040)	(8,353,629)
R&D tax incentive		3,071,018	2,395,706
Interest received		131,530	202,441
Interest paid leases		(38,822)	(42,923)
Government grants received		55,000	50,000
Net cash used in operating activities	30	(11,791,314)	(5,748,405)
Cash flows from investing activities			
Payments for property, plant and equipment		(591,030)	(106,097)
Funds transferred to term deposits		(14,881,342)	(13,666,199)
Payments for security deposits		(49,323)	-
Net cash used in investing activities		(15,521,695)	(13,772,296)
Cash flows from financing activities			
Proceeds from issue of shares	18	41,079,179	26,880,424
Payment of transaction costs	18	(2,294,668)	(1,624,690)
Principal elements of lease payments		(226,643)	(145,196)
Net cash from financing activities		38,557,868	25,110,538
Net increase in cash and cash equivalents		11,244,859	5,589,837
Cash and cash equivalents at the beginning of the financial year		7,242,343	1,661,850
Effects of exchange rate changes on cash and cash equivalents		(52,003)	(9,344)
Cash and cash equivalents at the end of the financial year	9	18,435,199	7,242,343

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Group 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.

Going concern

The financial report has been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business. For the year ended 30 June 2021 the Group has incurred a loss attributable to the owners of the Group of $17,767,586 (30 June 2020: loss of $6,822,215) and at year end the Group had working capital of $48,483,940 (30 June 2020: $ 24,855,514) including a cash and cash equivalents balance of $18,435,199 (30 June 2020: $7,242,343) and $33,067,094 in investments being term deposits with terms of greater than 3 months (30 June 2020: $18,185,752). Cash used in operating activities in 2021 is $11,791,314 (2020: $5,748,405).

The Directors believe that it is appropriate to prepare the financial report on a going concern basis. The Group expects to receive an R&D incentive during the first half of the 2022 financial year, and with the opening cash balance, the Directors are of the view that this will be sufficient to cover expenditure for the period of 12 months from the date of approval of this financial report. The Group also has the option of selectively reducing expenditure where necessary.

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').

Note 1. Significant accounting policies (continued)

Presentation restatement
The presentation of the income statement has been restated in the current year to reclassify expenses by function rather than by nature to align to peers in the industry. Expenses have been allocated between research and development expenses (note 6) and general and administrative expenses (note 7). To ensure comparability, the comparative period has also been reclassified to align presentation, the impacts of the reclassification in the prior year are as follows:

30 June 2020 expenses presented by nature	2020	Allocated to R&D	Allocated to general & administrative	Allocated to finance costs
Contract research costs	405,000	405,000	-	-
Personnel expenses	5,753,849	3,474,861	2,278,988	-
Depreciation and amortisation	547,113		547,113	
Professional services	607,442		607,442	
Travel and accommodation	105,901		105,901	
Interest on operating leases	42,923			42,923
Intellectual property maintenance	31,118	31,118		
Laboratory consumables	1,966,856	1,966,856		
Occupancy costs	5,641		5,641	
Other operating expenses	278,932		278,932	
30 June 2020 expenses presented by function	9,744,775	5,877,835	3,824,017	42,923

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 Group'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 in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

Tax legislation
PYC and its Australian controlled entities are not consolidated for tax purposes.

Each entity is a taxable entity and continues to account for its own current and deferred tax amounts.

Foreign currency translation
The financial statements are presented in Australian dollars, which is PYC Therapeutics Limited and its controlled entity's functional and presentation currency.

Note 1. Significant accounting policies (continued)

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.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The Group recognises revenue as follows:

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.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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 the Group's 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 the Group's 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.

Note 1. Significant accounting policies (continued)

Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

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 Group 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 amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets
The Group 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 Group'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.

Impairment of non-financial assets
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.

Note 1. Significant accounting policies (continued)

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.

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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 Group for the annual reporting period ended 30 June 2021. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Note 2. Critical accounting judgements, estimates and assumptions

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.

Share-based payment transactions
The Group 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.

Intangible assets
The Company's intangible assets are tested 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. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Refer to note 14 for details about amortisation methods and periods used by the Group for intangible assets.

Note 3. Financial risk management

Overview
The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

Note 3. Financial risk management (continued)

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group receivables and cash investments.

Trade and other receivables

The Group had no material credit risk with respect to trade and other receivables at 30 June 2021 or 30 June 2020.

Cash investments

The Group limits its exposure to credit risk by banking only with Australia and New Zealand Banking Group. Given that bank's credit rating, management does not expect it to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group does not presently use financial derivatives as a risk management tool.

Note 3. Financial risk management (continued)

Currency risk

The Group is exposed to currency risk on some purchases that are denominated in a currency other than the functional currency of the Group, the Australian dollar (AUD). As the exposure is immaterial in value and of short-term duration, the Group does not employ any hedging strategies for foreign currency risk management.

Interest rate risk

The Group does not have any borrowings. The Group invests temporarily idle funds for terms of up to three months at variable interest rates.

(i) Interest rate risk profile:

	2021 $	2020 $
At reporting date, the interest rate profile of the Group's interest bearing financial instrument was:		
Variable rate instruments		
- Financial assets	51,502,293	25,128,095

Fair value sensitivity analysis for fixed rate instruments:
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments:
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 30 June 2021.

	2021		2020	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	515,023	(515,023)	251,281	(251,281)

(ii) Fair value
The financial assets and financial liabilities of the Group are all current and therefore fair value is equal to carrying value. Consequently, the Group does not make any adjustments through the statement of profit or loss and other comprehensive income or on the statement of financial position to restate the carrying value of the financial assets and liabilities.

(iii) Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group undertakes due diligence prior to entering into any collaboration, co-development or licensing agreement with a counterparty that exposes the Group to credit risk.

No receivables are past due or considered impaired at 30 June 2021 or 30 June 2020.

Note 3. Financial risk management (continued)

(iv) Foreign exchange risk
The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the AUD, future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2021 USD	2021 EUR	2020 USD	2020 EUR
Cash and cash equivalents	142,787	-	329,573	-
Trade payables	(335,011)	(235,207)	(931,823)	-

The aggregate net foreign exchange gains/losses recognised in profit or loss was $3,803 (2020: loss $9,344)

(v) Capital management
The operations of the Group are not presently cash positive and the Group is reliant upon developing additional revenue and raising further capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

(vi) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of $33,067,094 (2020: $18,185,752) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the group's liquidity reserve and cash and cash equivalents (note 9) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities:

Note 3. Financial risk management (continued)

2021	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Trade payables	2,346,173	-	-	-	-	2,346,173
Lease liabilities	130,908	130,908	246,867	330,078	838,761	730,354
Total financial liabilities	2,477,081	130,908	246,867	330,078	838,761	3,076,527

2020	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Trade payables	97,290	-	-	-	-	97,290
Lease liabilities	100,158	106,008	212,016	538,194	956,376	798,145
Total financial liabilities	197,448	106,008	212,016	538,194	956,376	895,435

Note 4. Operating segments

Identification of reportable operating segments
The Group comprises a single business segment comprising discovery and development of novel RNA therapeutics, with a single geographical location in Australia. During the year, an office in the US was established to drive formal drug development activities including regulatory engagement as well as engagements with prospective investors and business development partners. At this stage the US locations is not considered a material segment separate from the Australian operations. The segment details are therefore fully reflected in the results and balances reported in the statement of comprehensive income and statement of financial position.

The Group is primarily focused on discovering and developing novel RNA therapeutics for the treatment of genetic diseases.

Accounting policy for 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 of the Group are considered to be the CEOs, Dr Rohan Hockings and Mr Sahm Nasseri. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Other income

	2021 $	2020 restated $
R&D tax incentive	3,071,018	2,395,706
Interest income	108,498	207,030
Government COVID Cash Boost	55,000	62,500
Net foreign exchange gain	3,803	-
Other	3,350	-
Other income	3,241,669	2,665,236

The Research and Development (R&D) Tax Incentive Scheme is an Australian Federal Government program under which eligible companies with annual aggregated revenue of less than $20 million can receive cash amounts equal to 43.5% of eligible research and development expenditures from the Australian Taxation Office (ATO). The R&D Tax Incentive Scheme relates to eligible expenditure incurred in Australia relating to the Group's R&D activities. The R&D tax incentive is applied annually to eligible expenditure incurred during the Group's financial year following annual application to AusIndustry, an Australian governmental agency, and subsequent filing of its Income Tax Return with the ATO after the financial year end.

R&D Tax Incentive is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the incentives will be received.

Prior period restatement relating to the classification of R&D tax incentive
The Company's R&D tax incentive is refundable in cash rather than as a tax credit, and therefore represent a government grant. Prior year comparatives of R&D Tax Incentive have been restated by reclassifying $2,395,706 from income tax to other income.

Note 6. Research and development expenditure

	2021 $	2020 $
Research and development expenses	14,003,715	5,877,835

Accounting policy for research and development

The accounting standards do not permit the capitalisation of development expenditure in circumstances where the Group cannot demonstrate sustainable revenue generation derived from the results of the expenditure. Research expenditure must be expensed under accounting standards. The expenditure incurred in relation to obtaining and maintaining patent protection have been expensed.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss and other comprehensive income as an expense as incurred. The Group does not currently undertake development activities as defined in AASB 138 Intangible Assets and therefore has not capitalised development expenditure.

Note 6. Research and development expenditure (continued)

Employee benefits expenses included in research and development expenditure:

	2021 $	2020 $
Employee benefits expenses	5,074,058	3,474,861

Note 7. General and administrative expenses

	2021 $	2020 $
Employee benefits expenses	2,101,726	1,559,020
Share-based payment expenses	3,628,776	719,968
Professional services	909,940	566,065
Depreciation and amortisation	622,362	547,113
Travel and accommodation	46,788	105,901
Audit	73,746	41,377
Other administrative expenses	445,795	284,573
	7,829,133	3,824,017

Refer to note 33 for details of share-based payments.

Note 8. Income tax

	2021 $	2020 restated $
(i) Income tax benefit		
The prima facie tax on the operating loss is reconciled to the income tax provided in the accounts as follows:		
Accounting profit/(loss)	(18,630,001)	(7,079,539)
Prima facie tax benefit on operating loss before income tax at 30%	5,589,000	2,123,861
Difference due to impact of overseas tax rates	(224,596)	-
Tax effect on permanent differences	214,686	(13,346)
Current period tax losses and temporary differences not brought to account	(5,579,090)	(2,110,515)
	-	-

Refer to note 5 for details of restatement of prior year R&D Tax Incentive.

Note 8. Income tax (continued)

(ii) Unrecognised deferred tax balances

(a) Deferred tax assets

	2021 $	2020 $
The balance comprises temporary difference attributable to:		
Property, plant & equipment	-	114
Lease liabilities	219,106	239,444
Tax losses	13,693,390	8,872,746
	13,912,496	9,112,304
Other		
Employee benefits	107,433	44,014
Patents & intellectual property	105,000	45,095
S40-880 expenditure	870,953	487,661
Other	66,536	52,295
	1,149,922	629,065
Total deferred tax assets	15,062,418	9,741,369
Set-off deferred tax liabilities	(247,123)	(237,571)
Net unrecognised deferred tax assets	14,815,295	9,503,798

(b) Deferred tax liabilities

	2021 $	2020 $
The balance comprises temporary differences attributable to:		
Right-of-use assets	222,230	233,785
Other		
Other current assets	24,893	3,786
Total deferred tax liabilities	247,123	237,571
Set-off deferred tax liabilities	(247,123)	(237,571)
Net deferred tax liabilities	-	-

Accounting policy for 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.

Note 8. Income tax (continued)

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.

Note 9. Cash and cash equivalents

	2021 $	2020 $
Current assets		
Cash and cash equivalents	18,435,199	7,242,343

Accounting policy for 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.

Included within the current assets is a cash amount of $270,819 (30 June 2020: $300,000) which is not considered available for general use. The balances are held within the Murdoch joint operations and may only be used in relation to joint operation expenditure.

Note 10. Funds held in term deposits

	2021 $	2020 $
Current assets		
Funds held in term deposits	33,067,094	18,185,752

Note 11. Trade and other receivables

	2021 $	2020 $
Current assets		
GST receivable	154,083	46,679
Interest receivable	4,884	27,916
Other receivable	26,667	8,070
	185,634	82,665

Accounting policy for trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Right-of-use assets

	2021 $	2020 $
Non-current assets		
Leasehold improvements - right-of-use	1,102,193	943,343
Less: Accumulated depreciation	(361,425)	(164,060)
	740,768	779,283

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	ROU Assets $	Total $
Balance at 1 July 2019	943,343	943,343
Depreciation expense	(164,060)	(164,060)
Balance at 30 June 2020	779,283	779,283
Additions	158,850	158,850
Depreciation expense	(197,365)	(197,365)
Balance at 30 June 2021	740,768	740,768

Accounting policy for 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.

Note 12. Right-of-use assets (continued)

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 Group 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 Group 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.

Note 13. Property, plant and equipment

	2021 $	2020 $
Non-current assets		
Plant and equipment - at cost	2,427,824	1,813,237
Less: Accumulated depreciation	(1,682,317)	(1,457,325)
	745,507	355,912

	Office and research equipment
Balance at 1 July 2019	482,869
Additions	106,126
Depreciation expense	(233,083)
Balance at 1 July 2020	355,912
Additions	614,517
Depreciation expense	(224,922)
Balance at 30 June 2021	745,507

Accounting policy for property, plant and equipment

The Group holds no property. Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office and research equipment	2-13 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 14. Intangibles

	2021 $	2020 $
Non-current assets		
Intellectual property - at cost	5,000,000	5,000,000
Less: Accumulated amortisation	(350,000)	(150,000)
	4,650,000	4,850,000

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 25 years.

Note 15. Trade and other payables

	2021 $	2020 $
Current liabilities		
Trade payables	2,346,173	97,290
Accrued expenses	391,717	211,221
PAYG withholding	151,462	71,642
Payroll tax payable	33,881	-
Other payables	4,895	415
	2,928,128	380,568

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group 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.

Note 16. Lease liabilities

	2021 $	2020 $
Current liabilities		
Lease liability	187,530	152,967
Non-current liabilities		
Lease liability	542,824	645,178

Accounting policy for 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 Group'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.

Note 17. Employee benefits

	2021 $	2020 $
Current liabilities		
Annual leave	181,386	171,785
Superannuation	-	285
	181,386	172,070
Non-current liabilities		
Annual leave	135,253	-
Long service leave	41,472	-
	176,725	-

Accounting policy for 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.

Note 17. Employee benefits (continued)

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 at 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 18. Issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	3,180,926,103	2,931,577,991	125,991,333	87,206,822

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	2,442,856,658		61,951,088
Shares issued		259,934,395	$0.055	14,296,392
Shares issued		228,636,938	$0.055	12,575,031
Shares issued		150,000	$0.060	9,000
Share issue costs		-	$0.000	(1,624,689)
Balance	30 June 2020	2,931,577,991		87,206,822
Issued shares		239,348,112	$0.170	40,689,179
Issued shares		10,000,000	$0.039	390,000
Share issue costs		-	$0.000	(2,294,668)
Balance	30 June 2021	3,180,926,103		125,991,333

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group'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.

Note 18. Issued capital (continued)

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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group 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 Group 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 Group 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 2020 Annual Report.

Accounting policy for 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.

Note 19. Reserves

	2021 $	2020 $
Foreign currency reserve	(54,556)	-
Share-based payments reserve	5,624,516	1,995,740
Transactions with NCI reserve	3,000,000	3,000,000
	8,569,960	4,995,740

Foreign currency reserve
Foreign currency translation exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share-based payments reserve
The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised and the grant date fair value of shares issued to employees.

Transactions with NCI reserve
This reserve is used to record differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control. An amount of $500,000 has been reclassified from the non-controlling interests (NCI) to the transactions with NCI reserve to align the NCI to the Group balance sheet. The comparative has been updated for this change throughout this financial report.

Note 20. Accumulated losses

	2021 $	2020 $
Accumulated losses at the beginning of the financial year	(63,749,707)	(56,927,492)
Loss after income tax expense for the year	(17,767,586)	(6,822,215)
Accumulated losses at the end of the financial year	(81,517,293)	(63,749,707)

Note 21. Non-controlling interest

	2021 $	2020 $
Non-controlling interest	880,261	1,742,676

Note 22. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Key management personnel disclosures

Directors
The following persons were Directors of PYC Therapeutics Limited and its controlled entities during the financial year:

Executive Directors	
Dr R Hockings	Chief Executive Officer
Mr S Nasseri	Chief Executive Officer US subsidiary appointed 10 December 2020
Mr D Huey	Executive Director - retired 6 November 2020
Non-Executive Directors	
Mr A Tribe	Non-Executive Chairman
Dr M Rosenblatt	Non-Executive Director - appointed 17 March 2021
Mr J Haddock	Non-Executive Director - appointed 29 March 2021
Dr B Hockings	Non-Executive Director - retired 26 March 2021

Note 23. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	2021 $	2020 Restated $
Short-term employee benefits	1,211,087	880,251
Post-employment benefits	6,073	6,073
Long-term benefits	13,053	63,540
Share-based payments	1,940,034	447,509
	3,170,247	1,397,373

Prior year post-employment benefits have been restated as detailed in note 16.3 in the Remuneration report.

Note 24. Remuneration of auditors

	2021 $	2020 $
Audit / review of financial statements - HLB Mann Judd	23,183	41,338
Audit of financial statements - PricewaterhouseCoopers	50,563	-
	73,746	41,338

Note 25. Related party transactions

Parent entity
The immediate parent and ultimate controlling party of the Group is PYC Therapeutics Limited.

Subsidiaries
Interests in subsidiaries are set out in note 27

Joint operations
Interests in joint operations are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2021	2020
Loss after income tax	(18,684,556)	(1,095,945)
Total comprehensive income	(18,684,556)	(1,095,945)

Statement of financial position

	2021	2020
Total current assets	46,012,523	12,379,505
Total Assets	56,394,994	31,334,130
Total current liabilities	1,767,507	493,421
Total liabilities	2,470,733	1,138,599
Equity		
Issued capital	125,991,333	87,206,821
Share-based payment reserve	5,624,516	1,995,740
Accumulated losses	(77,691,588)	(59,007,030)
	53,924,261	30,195,531

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, except for the following:

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 27. 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 below:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
PYC Therapeutics LLC	USA	100%	100%

Accounting policy on consolidation of subsidiaries:
Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity 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 deconsolidated 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.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy.

Name	Country of incorporation	Principal activities	Parent ownership interest 2021	Non-controlling interest Ownership interest 2021	Parent ownership interest 2020	Non-controlling interest Ownership interest 2020
Vision Pharma Pty Ltd	Australia	Drug development	90%	10%	90%	10%

Accounting policy on interests in non-controlling interests:
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.

Note 27. Interests in subsidiaries (continued)

Summarised financial information for Vision Pharma Pty Ltd, before intragroup eliminations is set out below:

	2021 $	2020 $
Summarised statement of financial position		
Current assets	7,349,657	12,969,384
Non-current assets	4,669,337	4,867,760
Total assets	12,018,994	17,837,144
Current liabilities	3,216,382	410,388
Total liabilities	3,216,382	410,388
Net assets	8,802,612	17,426,756
Summarised statement of profit or loss and other comprehensive income		
Revenue	1,167,648	92,998
Expenses	(9,791,792)	(2,759,236)
Loss before income tax	(8,624,144)	(2,666,238)
Other comprehensive income	-	-
Total comprehensive income	(8,624,144)	(2,666,238)

The Group has the following subsidiary with material non-controlling interests:

	2021 $	2020 $
Proportion of ownership interest and voting rights held by non-controlling interests (10%)		
Carrying amount of non-controlling interests acquired	2,242,676	-
Loss allocated to non-controlling interests	(862,415)	(257,324)
Non-controlling interest arising on acquisition	-	2,500,000
Accumulated non-controlling interest	1,380,261	2,242,676

Note 28. Interests in joint operations

The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2021	Ownership interest 2020
PYC Therapeutics/Murdoch University collaboration	Academic-industry collaboration/Australia	50%	50%
Vision Pharma Pty Ltd/Murdoch University	Academic-industry collaboration/Australia	50%	50%

The Group has entered into academic-industry collaborations with Murdoch University to support drug discovery and development efforts in the field of neurodegenerative disorders including Motor Neurone Disease.

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 30. Reconciliation of loss after income tax to net cash used in operating activities

	2021 $	2020 $
Loss after income tax expense for the year	(18,630,001)	(7,079,539)
Adjustments for:		
Depreciation and amortisation	622,362	547,113
Share-based payments	3,628,776	719,967
Foreign exchange differences	692	9,344
Change in operating assets and liabilities:		
Increase in trade and other receivables	(133,328)	(96,054)
Increase in trade and other payables	2,498,121	20,999
Increase in other provisions	222,064	129,765
Net cash used in operating activities	(11,791,314)	(5,748,405)

Note 31. Non-cash investing and financing activities

	2021 $	2020 $
Lease liabilities at 1 July	798,145	943,341
Non-cash addition	158,851	-
Payments of lease liabilities	(226,643)	(145,196)
Lease liabilities at 30 June	730,353	798,145

Non-cash addition represents the new lease on the Company's office premises in 1-4 Leura Street that commenced on 24 February 2021.

Note 32. Earnings per share

	2021 $	2020 $
Earnings per share for loss		
Loss after income tax attributable to the owners of PYC Therapeutics Limited and its controlled entities	(17,767,586)	(6,822,215)
Non-controlling interest	(862,415)	(257,324)
	(18,630,001)	(7,079,539)
Loss after income tax attributable to the owners of PYC Therapeutics Limited and its controlled entities used in calculating basic and diluted earnings per share	(17,767,586)	(6,822,215)

	Cents	Cents
Basic loss per share	(0.57)	(0.26)
Diluted loss per share	(0.57)	(0.26)

	2021 Number	2020 Number
Weighted average number of ordinary shares	3,091,647,104	2,746,156,156

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of PYC Therapeutics Limited and its controlled entities, 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.

Diluted earnings per share
As the Group incurred a loss for the year ended 30 June 2021, the options on issue have an antidilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

Note 33. Share-based payments

(a) ESOP

At the Annual General Meeting held in November 2020, the Company renewed an employee share option programme (ESOP) that entitles key management personnel and senior employees to purchase shares in the Company.

(b) Options issued during the year

59,333,333 options were issued to Directors and senior executives during the year ended 30 June 2021 (30 June 2020: 45,000,000).

(c) Fair value and assumptions

All options refer to options over ordinary share 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 options have no performance conditions and the only condition is a service period.

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:

Set out below are summaries of options granted under the plan:

	Number of options 2021	Weighted average exercise price 2021	Number of options 2020	Weighted average exercise price 2020
Outstanding at the beginning of the financial year	55,000,000	$0.066	20,000,000	$0.050
Granted	59,333,333	$0.084	45,000,000	$0.072
Forfeited	(23,333,333)	$0.083	(9,850,000)	$0.060
Exercised	(10,000,000)	$0.039	(150,000)	$0.060
Outstanding at the end of the financial year	81,000,000	$0.117	55,000,000	$0.066
Exercisable at the end of the financial year	33,333,333	$0.095	21,666,667	$0.037

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
16/11/2018	16/11/2021	$0.039	10,000,000	-	(10,000,000)	-	-
17/02/2020	28/02/2023	$0.063	20,000,000	-	-	(13,333,333)	6,666,667
10/03/2020	28/02/2023	$0.060	15,000,000	-	-	-	15,000,000
29/06/2020	29/06/2023	$0.110	10,000,000	-	-	(10,000,000)	-
03/11/2020	28/02/2023	$0.063	-	13,333,333	-	-	13,333,333
16/12/2020	30/11/2023	$0.150	-	32,000,000	-	-	32,000,000
23/03/2021	23/03/2024	$0.210	-	3,000,000	-	-	3,000,000
23/03/2021	28/02/2031	$0.170	-	6,000,000	-	-	6,000,000
23/03/2021	23/03/2031	$0.170	-	2,500,000	-	-	2,500,000
23/03/2021	29/03/2031	$0.170	-	2,500,000	-	-	2,500,000
			55,000,000	59,333,333	(10,000,000)	(23,333,333)	81,000,000

Note 33. Share-based payments (continued)

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/11/2017	30/05/2020	$0.060	10,000,000	-	(150,000)	(9,850,000)	-
16/11/2018	16/11/2021	$0.039	10,000,000	-	-	-	10,000,000
17/02/2020	28/02/2023	$0.063	-	20,000,000	-	-	20,000,000
10/03/2020	28/02/2023	$0.060	-	15,000,000	-	-	15,000,000
29/06/2020	29/06/2023	$0.110	-	10,000,000	-	-	10,000,000
			20,000,000	45,000,000	(150,000)	(9,850,000)	55,000,000

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2021 Number	2020 Number
17/02/2020	28/02/2023	6,666,667	6,666,667
10/03/2020	28/02/2023	10,000,000	5,000,000
03/11/2020	28/02/2023	6,666,666	-
16/12/2020	30/11/2023	10,000,000	-
16/11/2018	16/11/2021	-	10,000,000
		33,333,333	21,666,667

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.09 years (30 June 2020: 2.49 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/11/2020	28/02/2023	$0.170	$0.063	100.000%	-	0.105%	$1,705,822
16/12/2020	30/11/2023	$0.150	$0.150	100.000%	-	0.110%	$2,931,194
23/03/2021	28/02/2031	$0.170	$0.170	100.000%	-	1.700%	$912,330
23/03/2021	23/03/2031	$0.170	$0.170	100.000%	-	1.700%	$380,610
23/03/2021	23/03/2024	$0.170	$0.210	100.000%	-	0.105%	$292,154
29/03/2021	29/03/2031	$0.170	$0.170	100.000%	-	1.700%	$380,610

Expenses arising from share-based payment transactions

	2021 $	2020 $
Equity - settled share-based payments issued:		
In FY 2018	-	11,216
In FY 2019	-	38,957
In FY 2020	46,072	669,795
In FY 2021	3,582,704	-
	3,628,776	719,968

Accounting policy for share-based payments

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

Note 33. Share-based payments (continued)

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 Group 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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the Directors' opinion:

a) the financial statements and notes set out on pages 25 to 59 are in accordance with the *Corporations Act 2001,* including:

i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with the financial Section 295A of the *Corporations Act 2001.*

The declaration is made in accordance with a resolution of the directors:

____
Rohan Hockings
Chief Executive Officer

22 September 2021
Perth

Independent auditor's report

To the members of PYC Therapeutics Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of PYC Therapeutics Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $0.9 million, which represents approximately 5% of the Group's loss before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Committee: – Carrying value of intangible assets • This is further described in the *Key audit matters* section of our report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of intangible assets *(Refer to note 14) $4,650,000* The Group has recognised an intangible asset in respect of acquired Intellectual Property (IP) which is being amortised over a period of 25 years. At 30 June 2021, the carrying value of the IP is $4.65m. At 30 June 2021 the Group performed an assessment for impairment indicators as required by Australian Accounting Standards which concluded that there were no indicators of impairment. The carrying value of the IP was a key audit matter due to the level of judgement required in determining the IP's valuation and existence of any indicators of impairment.	Our audit procedures, amongst others, included the following: • Assessing the accounting and valuation methodology applied by the Group, including: ○ consideration of the contractual arrangements associated with the acquisition of the IP; ○ assessing potential alternative valuation techniques available, and; ○ understanding the rationale underpinning the determination of the useful economic life of 25 years. • Evaluation of the Group's assessment of whether there were any indicators of impairment, including assessing the Group's market capitalisation in combination with its current and future plans to utilise the economic benefits of the IP.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our 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 on the other information that we obtained prior to the date of this auditor's report, 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 the 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/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of PYC Therapeutics Limited for the year ended 30 June 2021 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
22 September 2021

The shareholder information set out below was applicable as at 15 September 2021.

Distribution of equitable securities
Analysis of number of equitable security holdings by size of holding:

	Number of holders	**Number of shares**
1 to 1,000	153	27,484
1,001 to 5,000	257	905,188
5,001 to 10,000	343	2,770,612
10,001 to 100,000	1,289	55,943,314
100,001 and over	1,028	3,121,279,505
	3,070	3,180,926,103

Based on the price per security, number of holders with an unmarketable holding: 267, with a total of 321,092 shares amounting to 0.01% of Issued Capital.

Twenty largest security holders
The names of the twenty largest holders of ordinary shares are listed below:

Name	**Number of ordinary shares**	**% of Issued capital**
AUSTRALIAN LAND PTY LTD <THE SOUTHDOWN A/C>	494,697,447	15.55
SIETSMA HOLDINGS PTY LTD <THE SIETSMA SUPER FUND A/C>	167,500,000	5.27
AUSTRALIAN LAND PTY LTD	154,220,000	4.85
DR BERNARD EDWARD HOCKINGS & MRS DIANNE CHRISTINE HOCKINGS <BHOCKINGS PRIVATE S/F 2 A/C>	147,442,436	4.64
AUSTRALIAN LAND PTY LTD <SOUTHDOWN A/C>	147,400,000	4.63
MCCUSKER HOLDINGS PTY LTD	115,000,000	3.62
MASALI PTY LTD	75,000,000	2.36
MR BERNARD EDWARD FREDERICK HOCKINGS	62,059,626	1.95
MR ANTHONY PETER BARTON & MRS CORINNE HEATHER BARTON <A P BARTON PERSON S/F A/C>	52,500,000	1.65
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	50,674,530	1.59
MR JOHN BAIRD	46,000,000	1.45
BARTON & BARTON PTY LTD	42,300,000	1.33
DATAMATCH PTY LTD <PARAGON FAMILY A/C>	40,000,000	1.26
AUSTRALIAN LAND PTY LTD <THE TRIBE SUPER FUND A/C>	39,600,000	1.24
CUSTOM BINDERS PTY LTD <CUSTOM BINDERS STAFF S/F A/C>	35,000,000	1.10
DELARGE INVESTMENTS PTY LTD <THE QUEENSGATE A/C>	33,875,673	1.07
RUNCTON PTY LTD <THE GOODWOOD A/C>	33,875,673	1.07
PAGHAM PTY LTD <THE AINTREE A/C>	33,875,673	1.07
STOCKBRIDGE CORPORATION PTY LTD <THE ASCOT A/C>	33,875,672	1.07
DR BERNARD EDWARD FREDERICK HOCKINGS	33,333,334	1.05
EMATT SECURITIES PTY LTD <NATIONAL EQUITIES SF NO3 A/C>	29,182,437	0.92
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	28,801,717	0.91
	1,896,214,218	59.61

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Australian Land Pty Ltd	970,820,136	30.93
David Sietsma	283,996,241	8.96
Bernard Edward Frederick Hockings	263,659,571	8.99
Anthony Barton and Associates	155,200,314	5.30

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Unquoted options
Unquoted options do not entitle the holder to any voting rights

On Market Buy Back
There is no on-market buy-back scheme in operation for the company's quoted shares or quoted options

Unquoted Option Holder Information
The information on unquoted securities set out below was applicable as at 15 September 2021

Distribution of unquoted option holder numbers

Category (size of holding)	No. of Option Holders	No. of Options
100,001 and over	8	81,000,000

Holders of more than 20% of unquoted options
The name of holders, holding more than 20% of the unquoted options on issue in the Company's share register as at 15 September 2021 were:

	No. of unquoted options	% of unquoted options
Mr S Nasseri	32,000,000	40

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