

Prescient Therapeutics Limited

ABN 56 006 569 106

Annual Report - 30 June 2020

Prescient Therapeutics Limited
Contents
30 June 2020



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|-----------------------------|--|
| Directors | Mr Steven Engle (Non-Executive Chairman) Mr Steven Yatomi-Clarke (Managing Director and CEO) Dr James Campbell (Non-Executive Director) Dr Allen Ebens (Non-Executive Director) |
| Company secretary | Ms Melanie Leydin |
| Registered office | Level 4, 100 Albert Road South Melbourne, VIC 3205 Phone: 03 9692 7222 |
| Principal place of business | Level 4, 100 Albert Road South Melbourne, VIC, 3205 |
| Share register | Automic Registry Services Level 5 126 Phillip Street Sydney NSW 2010 Ph: 02 9698 5414 |
| Auditor | William Buck Level 20, 181 William Street Melbourne, VIC 3000 |
| Stock exchange listing | Prescient Therapeutics Limited securities are listed on the Australian Securities Exchange (ASX code: PTX and PTXOC) |
| Website | https://ptxtherapeutics.com |

Dear Shareholder

We are pleased to share our achievements over the past year and update you on our strategic goals and objectives for the coming year.

The Prescient team under our CEO Steven Yatomi-Clarke's strong leadership continued to make solid advances building a world-leading pipeline of innovative personalised cancer therapies. Each of these assets are generating interest among the medical community for the promise they hold to help meet the needs of millions of cancer patients.

Operating cash outflows for the year were \$2.3 million, as compared with \$4.2 million in 2019, and the consolidated entity ended the year with \$7.4 million in cash (2019: \$9.6 million). Details of our financial performance is found in the Financial Review on page 7 of this report.

A key development this year was our licenses with the University of Pennsylvania and Oxford University to create a next-generation, universal CAR-T platform. Known as OmniCAR, it is the result of insights by brilliant and dedicated researchers and clinicians.

OmniCAR aims to overcome many of the limitations holding back one current generation CAR-T therapies. In simple terms, OmniCAR aims to give doctors greater control and flexibility over already powerful and effective CAR-T treatments. Importantly, it can be applied across a wider range of cancers including solid tumours.

Closer to home, Prescient has established Cell Therapy Enhancement (CTE) programs with Peter MacCallum Cancer Centre and Carina Biotech/University of Adelaide to identify new applications and enhance current approaches to cell therapy.

Together these developments put Prescient at the forefront of CAR-T development. They open the door to multiple collaborations and licensing opportunities with other leaders advancing CAR-T therapies into the clinic.

Industry developments

New therapies targeting Ras mutations, like our lead compound PTX-100, continue to draw interest and attention from clinicians worldwide.

Earlier in the year, a new cancer drug from industry leader Amgen targeting cancers with certain Ras mutations gained significant industry attention at the annual European Society for Medical Oncology (ESMO) meeting in Barcelona, Spain.

New data released by Amgen at the conference provided great encouragement to clinicians and researchers focused on this area.

Amgen's progress and proof of concept in this important cancer pathway paves the way for smaller companies like Prescient.

Together with a range of other pioneers, our clinical programs are part of the important advances being made in precision oncology which promise to improve the outcomes for cancer patients worldwide.

Given the potential rewards and widespread intense interest in this area of research, we remained focused on protecting our advances with an extensive program of patent applications and approvals.

Pandemic

Our decision at the end of 2019 to pivot our breast and ovarian cancer programs from the United States to Australia proved beneficial in terms of managing our capital in the face of a strong US dollar and avoiding the ongoing pandemic-induced challenges faced by the US healthcare system. Prescient is also exploring non-chemotherapy combinations in these cancers in the pursuit of safer and more efficacious treatments.

Whilst general slowdowns have been felt by many companies, including Prescient, we are fortunate to not have experienced material disruptions to operations during the year. The pandemic has limited our ability to travel and meet directly with stakeholders, the Board and management remained focused on our goals and spent considerable time presenting and engaging with a range of potential future collaborators, investors, researchers and clinical partners online. Our supply chain and logistics are unaffected with drug supplies available to all trial sites. Clinical study recruitment has remained steady, if not subdued, reflecting the interest and support of our work.

Board and management

Clinical and commercial interest in our approach continues to grow and our work is attracting the support and interest internationally. During the reporting period we welcomed Dr Allen Ebens to our Board. Dr Ebens brings more than 24 years of experience commercialising new cancer therapies. He is a former senior executive with one of the world's most successful CAR-T cancer companies, Juno Therapeutics, which was acquired by Celgene for US\$9 billion in 2018.

Outlook

A major strategic corporate objective for the coming year will be to build on our progress and continue to identify potential clinical and commercial partnerships, either regional or global, for our pipeline of assets.

Collectively, our growing portfolio of targeted treatments holds great promise for the treatment of cancer and multiple opportunities for value creation through 2020 and beyond.

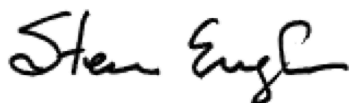
Establishing our position as an emerging leader in personalised cancer therapies is only possible through the passion of our clinical investigators and the foresight and dedication of our team.

We are grateful for the support of our all our shareholders whose continued confidence has provided us with the resources to execute our commercial strategies.

We believe our innovative cancer treatments will help transform the therapeutic landscape and improve the outcomes of millions of patients who today have few or no treatment options.

Thank you for your support and investment in Prescient Therapeutics.

Sincerely,

A handwritten signature in black ink that reads "Steven Engle".

Steven Engle
Non-Executive Chairman

The 2020 financial year was a year of both progress and transformation of Prescient. In a commitment to personalised therapies for cancer, a number of strategic initiatives expanded our presence from targeted therapies to now include cell therapies and chimeric antigen receptor T-cell (CAR-T) technologies.

Expanding into Cell Therapy and CAR-T

Building upon our targeted therapies, during the year Prescient expanded into Cell Therapy Enhancements (CTE) and a unique “next gen” CAR-T platform called OmniCAR. These have placed the Company at the forefront of innovation in the emerging CAR-T therapies and personalised cancer treatments.

Our CTE programs seeks to address the efficiency and efficacy of current generation cell therapies. Our first initiative in CTE was a collaboration with Carina Biotech, a private Australian cancer research company with strong expertise in development of novel CAR-T technologies. The University of Adelaide will also be involved in this program.

More recently, and after this annual report's reporting period, Prescient announced a second CTE collaboration with the world-renowned Peter MacCallum Cancer Centre. Prescient will own all resulting intellectual property in both collaborations.

These CTE programs are an exciting step in Prescient's growth. It expands our commitment to cancer treatment into new cell therapies while also enhancing the benefit and risk profile of Prescient's clinical pipeline.

The announcement of OmniCAR in May was a landmark for Prescient and places the Company at the forefront of CAR-T innovation. OmniCAR is a unique platform capable of creating next-generation cell therapies, including CAR-T, that are controllable, flexible and adaptable. It is based on technologies from the University of Pennsylvania (who pioneered CAR-T) and Oxford University, and other assets.

Whilst CAR-T has been lauded as a genuine revolution in cancer treatment, and has yielded unprecedented responses in certain blood cancers, current generation CAR-T therapies are grappling with challenges including safety, control, flexibility and access.

OmniCAR is designed to overcome many of these challenges. By doing so, OmniCAR aims to bring CAR-T therapy to many more patients in many more indications, especially in the treatment of solid tumours.

OmniCAR will be instrumental in the development of next-generation CAR-T assets for Prescient. In addition, we believe OmniCAR will be suitable to enabling third party CAR-T programs, which creates opportunities for external collaboration and licensing.

Significant clinical progress

During the year the clinical studies for our two lead programs continued deliver strong safety and efficacy data along with steady recruitment reflecting the strong clinical need and investigator interest.

It is important to remember each of these new treatments seeks to address unmet or poorly met clinical needs, representing lucrative market potential. In this sense, the clinical and commercial objectives of Prescient are very much aligned.

During the year we saw the start of the clinical trial of Prescient's novel targeted therapy, PTX-100, a first-in-class inhibitor of the Ras pathway, which has been the subject of growing industry focus.

PTX-100 is the only Ras pathway inhibitor in an ASX-listed company and, to the Company's knowledge, the only RhoA inhibitor in clinical development globally.

The Phase 1b PTX-100 'basket' study is designed to determine the optimal dose and treatment schedule of PTX-100 in myeloma, T-cell lymphomas, gastric, colorectal and pancreatic cancers.

Clinical investigators at Epworth Health in Melbourne are led by globally-renowned oncologist, Professor H. Miles Prince AM and Prescient is honoured to be working with such a talented and dedicated team.

Prescient also continued its advance PTX-200 during the period and the Phase 1b study in patients with relapsed and refractory AML, with three patients having complete responses to therapy. Prescient made a protocol amendment to space the timing of PTX-200 and chemotherapy in order to minimise drug interactions that could lead to unfavourable side effects. The amendment was made and enrolment was recommenced, with the trial proceeding to the second dose level.

Data from the Phase 2a trial of PTX-200 in 11 patients with HER-2 negative breast cancer was reported late 2019. Researchers reported an overall response rate of 91 per cent with especially encouraging responses in patients with ER+ disease. The standard of care for ER+ disease is hormone therapy, and Prescient believes that this will be a safer combination than using PTX-200 with chemotherapy. Prescient is now exploring focussing on this patient population, which must happen under a new protocol.

We also saw positive interim data from our Phase 1b PTX-200 ovarian cancer trial. Not only was therapy well tolerated, but 80% of patients on the study exhibited disease control (being partial response or stable disease). It what seems like a trend in several clinical settings, there is diminishing enthusiasm for combinations with chemotherapy and Prescient is evaluating combining PTX-200 with different agents in ovarian cancer under a new protocol.

These achievements are the outcome of a focused strategy and the ongoing efforts of our talented and professional team in the US and Australia. Results like these keep us focused and energized along with the opportunity to work with some of the world's leading medical research teams and make meaningful improvements to cancer treatment, especially to those patients that are poorly served by current treatments.

Sadly, the year will always be remembered for the outbreak of the terrible global pandemic of COVID-19, and it is a challenge that the world is still battling to overcome. It was satisfying to contribute towards this challenge when the Doherty Institute recently selected two Prescient assets for inclusion in their COVID-19 antiviral screening program. Whilst Prescient remains focussed on oncology, being able to contribute towards treatment of COVID-19 is an additional opportunity for the company. Patents have been filed for these antiviral programs.

The COVID-19 pandemic has caused substantial global disruptions, impacting everyone in one way or another. Prescient has also felt the impact of disruptions generally (for example, with lab closures and conference cancellations), but is nevertheless satisfied with the progress of operations in the face of these disruptions.

Despite the limits placed on travel and engagement by the pandemic, we remained focused on progressing our clinical and pre-clinical programs. In the face of travel bans, Prescient also maintains virtual engagement with local and international investor and medical communities to highlight the potential of our assets and ensure the market can accurately measure our progress and value.

We are grateful for the ongoing support of all our shareholders and look forward to updating you on the substantial progress expected in the coming year. With an expanded pipeline of truly innovative therapies, the future has never been more prospective for Prescient.

It continues to be a privilege to lead a great business that has real potential to have a positive impact on the lives of so many people facing cancer. We remain committed to working with our research and clinical partners towards developing effective treatments for cancer patients, and creating long term value for shareholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Steven Clarke".

Steven Yatomi-Clarke
Chief Executive Officer & Managing Director

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Prescient Therapeutics Limited (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 2020.

Directors

The following persons were directors of Prescient Therapeutics Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Steven Engle (Non-Executive Chairman)
Mr Steven Yatomi-Clarke (Managing Director and CEO)
Dr James Campbell (Non-Executive Director)
Dr Allen Ebens (Non-Executive Director) - appointed 1 June 2020
Mr Paul Hopper (Non-Executive Director) - resigned 2 January 2020

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- the preparation for and conduct of clinical trials relating to the Company's drugs;
- business development associated with the promotion of Prescient's proprietary technologies and products; and
- business development associated with developing collaborative, partnership relationships and corporate transactions.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,321,189 (30 June 2019: \$3,797,227).

Financial performance

The consolidated entity has recognised an estimated research and development incentive ("R&D") rebate for the year amounting to \$1,029,337 (2019: \$1,631,321). This is consistent with the level of R&D costs incurred during the financial year in comparison to the prior period.

Higher corporate expenses of \$834,702 (2019: \$691,319) were attributable to factors such as increased insurance costs, and also additional consultancy costs associated with the Carina Biotech collaboration announced on 11 May 2020.

Other administrative expenses of \$292,684 (2019: \$428,551) decreased from the prior year as the consolidated entity continues to manage its expenditure during the COVID-19 pandemic.

Financial position

Net assets of \$11,188,159 have decreased by \$3,132,775 (2019: \$14,320,934), which was mainly driven by the following:

- Reduction in cash and equivalents from operational cash outflows, offset by receiving the 2019 financial year R&D tax incentive rebate of \$1,629,821;
- Reduction in the 2020 financial year R&D tax incentive as noted above; and
- the Company entering into premium funding arrangements, increasing overall liabilities.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 27 July 2020 the company announced a Share Purchase Plan to raise up to \$6.5 million to progress the company's clinical and preclinical programs and general working capital. This was completed on 21 August 2020 and was heavily oversubscribed.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The company continues to develop its two drug candidates, PTX-100 and PTX-200, for potential new therapies to treat a range of cancers, including breast and ovarian cancer, as well as leukaemia. The expected results of operations for the consolidated entity will depend on the result of these clinical trials.

Environmental regulation

The Company's activities in respect of the conduct of preclinical and clinical trials and the manufacturing of drugs, using PTX 100 and PTX 200 technology and other biological technologies, for preclinical and clinical trials are subject to the law of the Commonwealth or the State or Territory in which such activity takes place. Some aspects of such activities could be construed as being covered by law or regulations relating to environmental matters. It is believed that, should activities be so construed, the Company meets the requirements of such law and regulations. The Company retains the right, under the respective contracts, to audit the performance of its contractors.

Information on Directors

| | |
|--------------------------------------|--|
| Name: | Mr Steven Engle |
| Title: | Non-Executive Chairman |
| Experience and expertise: | Steven Engle is the CEO of CohBar, a clinical stage biotechnology company developing mitochondria-based therapeutics to treat age-related diseases and extend healthy lifespan. Previously, Mr. Engle served as CEO of Averigon, an advisory firm to the life science industry, as Chairman and CEO of XOMA, a developer of antibody therapeutics for metabolic, inflammatory, oncology and other diseases, and which had partnerships with multiple pharmaceutical companies, and as Chairman and CEO of La Jolla Pharmaceutical Company, which discovered the biology of B cell tolerance, developed the first B cell toleragen for lupus patients, and received an approvable letter from the FDA. Steven Engle was VP of Marketing for Cygnus, a drug delivery company, where he helped gain FDA approval of and launch Nicotrol for smoking cessation. Mr. Engle is a director on the board of AROA, a developer and marketer of regenerative products, and Author-it Software Corporation, a developer of authoring information solutions for pharmaceutical and biotechnology companies. He is a former director of industry associations, BIO, BayBio and BIOCOM. Mr. Engle holds M.S.E.E. and B.S.E.E. degrees from the University of Texas with a focus in biomedical engineering. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | Anthera Pharmaceuticals Inc (NASDAQ: ANTH) |
| Special responsibilities: | Chairman of Remuneration and Nomination Committee and member of the Audit Committee |
| Interests in shares: | None. |
| Interests in options: | 670,000 unlisted options exercisable at \$0.0663 before 2 May 2023 |

Name: Mr Steven Yatomi-Clarke
Title: Managing Director and CEO
Qualifications: BSc(Hons), BCom
Experience and expertise: Mr Yatomi-Clarke was appointed as CEO and Managing Director of Prescient Therapeutics in February 2016, having previously been a Non-executive Director of the Company. He has over 17 years' experience in investment banking specialising in healthcare and biotechnology, where he was consistently one of the most prolific and successful bankers, involved in primary and secondary offerings, corporate advisory and mergers and acquisitions assignments for pharmaceutical and medical device companies. Educated at the University of Melbourne, where he earned a Bachelor of Science with an Honours Degree in Biochemistry and Molecular Biology, and a Bachelor of Commerce majoring in Economics, he has the rare distinction of readily bridging the divide between science and commerce. Mr Yatomi-Clarke has also been a collaborator on clinical trials conducted in Australia and the US in the field of cancer immunotherapy.

Other current directorships: None.
Former directorships (last 3 years): None.
Special responsibilities: Member of the Audit Committee
Interests in shares: 4,589,795 fully paid ordinary shares
Interests in options: 97,692 listed options exercisable at \$0.0625 before 31 March 2023
2,000,000 unlisted options exercisable at \$0.1016 before 18 December 2022
3,500,000 unlisted options exercisable at \$0.0663 before 2 May 2023

Name: Mr Paul Hopper
Title: Non-Executive Director (resigned 2 January 2020)
Qualifications: BA, ASIA
Experience and expertise: Mr Hopper had over 20 years' experience in the management and funding of biotechnology and healthcare public companies both as CEO and Director, with extensive capital markets experience in equity and debt raisings in Australia, Asia, US and Europe. Mr Hopper's sector experience covered a number of therapeutic areas with a particular emphasis on immunotherapy and cancer vaccines.

Other current directorships: Imugene Limited (ASX: IMU)
Former directorships (last 3 years): None.
Special responsibilities: Member of the Audit Committee and Remuneration and Nomination Committee
Interests in shares: 9,368,544 fully paid ordinary shares (at the date of resignation)
Interests in options: 103,814 listed options exercisable at \$0.0625 before 31 March 2023 (at the date of resignation)
247,000 unlisted options exercisable at \$0.1189 before 21 December 2019 (at the date of resignation)
415,000 unlisted options exercisable at \$0.0663 before 2 May 2023 (at the date of resignation)

Name: Dr James Campbell
Title: Non-Executive Director
Qualifications: Ph.D, MBA, GAICD
Experience and expertise: Dr Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies. Dr Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS), where, as a member of the executive team he helped transform a research-based company with a market capitalization of \$10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Cephalon for \$230M. Dr Campbell was a foundation executive of Evolve Biosystems, and has assisted private biotechnology companies in Australia, New Zealand and the USA with successful capital raising and partnering negotiations. Dr Campbell sits on the Advisory Board of Deakin University's Centre for Innovation in Mental and Physical Health and Clinical Treatment (IMPACT).

Other current directorships: CEO and Managing Director of Patrys Limited (ASX:PAB)
Former directorships (last 3 years): Invion Limited (ASX:IVX) - until 21 December 2019
Special responsibilities: Chairman of Audit Committee and Chairman of the Remuneration and Nomination Committee

Interests in shares: 213,750 fully paid ordinary shares
Interests in options: 17,813 listed options exercisable at \$0.0625 before 31 March 2023
415,000 unlisted options exercisable at \$0.0633 before 2 May 2023

Name: Dr Allen Ebens
Title: Non-Executive Director (appointed 1 June 2020)
Experience and expertise: Dr Ebens is Chief Science Officer at Vera Therapeutics, a San Francisco California based biotechnology company. Dr Ebens is a highly accomplished drug developer, having overseen the advancement of multiple successful drug development projects from concept to clinical development including polatuzumab, which is approved by the US FDA and is now marketed for use in diffuse large B-cell lymphoma. Dr Ebens was an early recruit to Juno Therapeutics (Juno), which is recognised as a one of the first CAR-T companies, and a leader in the successful and rapid clinical advancement of CAR-T cancer therapies. At Juno Dr Ebens was instrumental in establishing the scientific capabilities of the company in the emerging field of CAR-T. Previously, Dr Ebens held senior executive positions at global pharma and biotechnology leaders Genentech and Exelixis, where he worked from concept to clinic across multiple therapeutic platforms including targeted therapies, antibodies, antibody-drug conjugates, and T cell recruiting antibodies. He has also held roles in biotech companies including Bioseek and NGM Biopharmaceuticals.

Other current directorships: None.
Former directorships (last 3 years): None.
Special responsibilities: Member of Remuneration and Nomination Committee and of the Audit Committee
Interests in shares: None.
Interests in options: 415,000 unlisted options exercisable at \$0.075 before 1 June 2024

'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.

Company secretary

Ms Melanie Leydin - BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

| | Full Board | | Remuneration and Nomination Committee | | Audit Committee | |
|-------------------------|------------|------|--|------|-----------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Mr Steven Engle | 8 | 9 | 1 | 1 | 3 | 3 |
| Mr Paul Hopper | 3 | 4 | - | - | 1 | 1 |
| Mr Steven Yatomi-Clarke | 9 | 9 | - | - | 3 | 3 |
| Dr James Campbell | 9 | 9 | 1 | 1 | 3 | 3 |
| Dr Allen Ebens | 1 | 1 | - | - | - | - |

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration report (audited)

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity'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 Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity 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 reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focussing 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

Additionally, the reward framework should seek to enhance 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 Remuneration and Nomination Committee. The Remuneration and Nomination Committee 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 9 November 2004, where the shareholders approved an aggregate remuneration of \$400,000.

Executive remuneration

The consolidated entity 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 Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Short-term incentives

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 profit contribution, customer satisfaction, leadership contribution and product management. In the 2020 financial year, a bonus was awarded to Mr Steven Yatomi-Clarke upon achievement of financial and non-financial performance targets. The Board has discretion to approve payment of short term incentives.

Long-term incentives

The long-term incentives ('LTI') include share-based payments under the Employee/Executive Share Option Plan (ESOP) and Employee Share Loan Plan (ESLP) and have been selected to align Company performance and reflect individual employee contribution to the Company. Directors and other key management personnel receive compensation under these plans.

Options are awarded to key management personnel over a period of two to four years based on long-term incentive measures using time-based milestones.

Shares are issued to key management personnel under the ESLP based on the achievement of performance hurdles. Performance hurdles are decided on an individual basis as approved by the Board and can be based on financial and non-financial targets.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is not directly linked to the performance of the consolidated entity. The cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

Use of remuneration consultants

During the year ended 30 June 2020 the Company did not engage any remuneration consultants.

Voting and comments made at the company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 98.52% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

Amounts of remuneration

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

The key management personnel of the consolidated entity consisted of the following:

- Mr Steven Engle (Non-Executive Chairman)
- Mr Steven Yatomi-Clarke (Managing Director & CEO)
- Mr Paul Hopper (Non-Executive Director)
- Dr James Campbell (Non-Executive Director)
- Dr Allen Ebens (Non-Executive Director)
- Prof Said Sebti (Chief Scientific Officer)
- Dr Terrence Chew (Chief Medical Officer)
- Ms Melanie Leydin (Company Secretary)

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and consolidated entity.

| | Short-term benefits Cash salary and fees \$ | Short-term benefits Bonus \$ | Post- employment benefits Super- annuation \$ | Long-term benefits Long service leave \$ | Share-based payments Equity- settled shares \$ | Total \$ |
|--|---|---------------------------------------|--|--|--|------------------|
| 30 June 2020 | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr Steven Engle | 73,250 | - | - | - | 7,933 | 81,183 |
| Dr James Campbell* | 46,811 | - | - | - | 4,914 | 51,725 |
| Mr Paul Hopper** | 24,638 | - | - | - | 2,764 | 27,402 |
| Dr Allen Ebens*** | 3,333 | - | - | - | 5,830 | 9,163 |
| <i>Executive Directors:</i> | | | | | | |
| Mr Steven Yatomi-Clarke | 392,019 | 71,703 | 31,333 | 6,238 | 137,470 | 638,763 |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Melanie Leydin**** | 114,000 | - | - | - | - | 114,000 |
| Professor Said Sebti | 161,269 | - | - | - | 2,367 | 163,636 |
| Dr Terrence Chew | 155,989 | - | - | - | 1,366 | 157,355 |
| | <u>971,309</u> | <u>71,703</u> | <u>31,333</u> | <u>6,238</u> | <u>162,644</u> | <u>1,243,227</u> |

* Dr Campbell received his remuneration through Barrabool Biotechnology Pty Ltd (an entity associated with him).

** Mr Hopper received his remuneration through Kilinwata Investments Pty Ltd (an entity associated with him). Mr Hopper resigned on 2 January 2020.

*** Dr Ebens was appointed 1 June 2020.

**** Fees paid to Leydin Freyer Corp Pty Ltd in respect of company secretarial and accounting services.

| | Short-term benefits Cash salary and fees \$ | Post- employment benefits Super- annuation \$ | Long-term benefits Long service leave \$ | Share-based payments Equity- settled shares \$ | Total \$ |
|--|---|--|--|--|------------------|
| 30 June 2019 | | | | | |
| <i>Non-Executive Directors:</i> | | | | | |
| Mr Steven Engle | 75,000 | - | - | 7,751 | 82,751 |
| Dr James Campbell* | 49,275 | - | - | 4,816 | 54,091 |
| Mr Paul Hopper** | 49,275 | - | - | 4,816 | 54,091 |
| <i>Executive Directors:</i> | | | | | |
| Mr Steven Yatomi-Clarke*** | 366,745 | 31,851 | 6,364 | 180,613 | 585,573 |
| <i>Other Key Management Personnel:</i> | | | | | |
| Melanie Leydin**** | 102,000 | - | - | - | 102,000 |
| Professor Said Sebti | 161,786 | - | - | 6,916 | 168,702 |
| Dr Terrence Chew | 158,772 | - | - | 6,524 | 165,296 |
| | <u>962,853</u> | <u>31,851</u> | <u>6,364</u> | <u>211,436</u> | <u>1,212,504</u> |

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - LTI | | At risk - STI | |
|--|--------------------|--------------|---------------|--------------|---------------|--------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Mr Steven Engle | 90% | 91% | 10% | 9% | - | - |
| Dr James Campbell | 91% | 91% | 9% | 9% | - | - |
| Mr Paul Hopper | 90% | 91% | 10% | 9% | - | - |
| Dr Allen Ebens | 36% | - | 64% | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Mr Steven Yatomi-Clarke | 67% | 69% | 22% | 31% | 11% | - |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Ms Melanie Leydin | 100% | 100% | - | - | - | - |
| Professor Said Sebti | 99% | 96% | 1% | 4% | - | - |
| Dr Terrence Chew | 99% | 96% | 1% | 4% | - | - |

Service agreements

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

Name: Steven Yatomi-Clarke
Title: Managing Director & CEO
Agreement commenced: 15 February 2016
Term of agreement: No fixed term, commencing on 15 February 2016 for an ongoing term subject to termination by the Company with six month's notice or by Mr Yatomi-Clarke with 6 month's notice.

Details: Mr Yatomi-Clarke will be entitled to an annual salary of \$341,436 plus superannuation, subject to annual review. In addition, the Company will pay Mr Yatomi-Clarke a performance based bonus over and above the annual salary. This bonus is split between short-term incentives and long-term incentives and is capped at one third of the annual salary as at the date of payment of the bonus. The STI bonus amount is payable within 30 days upon achievement of relevant milestones. Three months before the commencement of each subsequent year, the Board and the Employee will agree the milestones applicable to the achievement of the Bonus amount for those years.

Name: Mr Steven Engle
Title: Non-Executive Chairman
Agreement commenced: 28 November 2014
Term of agreement: No fixed term.
Details: Mr Engle is entitled to an annual salary of \$85,000.

Name: Dr Allen Ebens
Title: Non-Executive Director
Agreement commenced: 22 May 2020
Term of agreement: No fixed term.
Details: Dr Ebens is entitled to an annual salary of \$50,000.

Name: Dr James Campbell
Title: Non-Executive Director
Agreement commenced: 28 November 2014
Term of agreement: No fixed term.
Details: Dr Campbell is entitled to an annual salary of \$49,275.

Name: Dr Terrence Chew
Title: Chief Medical Officer
Agreement commenced: 20 April 2015
Term of agreement: No fixed term, commencing 20 April 2015 and for an ongoing term subject to termination by the Company with 14 days' notice.
Details: Dr Chew is entitled to a fixed rate of \$114,000 USD per annum.

Name: Professor Said Sebti
Title: Chief Scientific Officer
Agreement commenced: 28 May 2015
Term of agreement: The term of the agreement is initially six months (6) that may be extended to two (2) years commencing on the date of the agreement, subject to termination by the Company with 1 months' notice.
Details: Professor Sebti is entitled to a fixed rate of \$115,000 USD per annum.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

On 30 November 2016, shareholders approved the Company's proposal to issue up to 8,000,000 Loan Funded Shares (LFS) with an expiry date of 30 November 2021 to the Company's Managing Director, Mr Steven Yatomi-Clarke, by way of a non-recourse, interest-free loan. The loan is repayable at any time or is repayable immediately if the participant ceases to be an employee. If the employee sells the shares, the loan is payable on the date of receipt of the funds. The initial tranche of 2,000,000 shares was issued at \$0.094 (9.4 cents) on 21 December 2016. The second tranche, of 2,000,000 shares will be issued when the 5-day VWAP of the ordinary shares in the Company reaches \$0.15 (15 cents) prior to the expiry date; the third tranche of 2,000,000 shares will be issued when the 5-day VWAP of the ordinary shares in the Company reaches \$0.22 (22 cents) prior to the expiry date; and the fourth and final tranche of 2,000,000 shares will be issued when the 5-day VWAP of ordinary shares in the Company reaches \$0.29 (29 cents) prior to the expiry date.

The terms and conditions of each grant of shares under the Employee Share Loan Plan (ESLP) affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of shares | | Vested and | | Share price Hurdle to achieve vesting | Fair value per option at grant date |
|----------------------|------------------|------------|------------|-------------|---------------------------------------|-------------------------------------|
| | granted | Grant date | issued | Expiry date | | |
| Steven Yatomi-Clarke | 2,000,000 | 30/11/2016 | 2,000,000 | 30/11/2021 | \$0.094 | \$0.074 |
| Steven Yatomi-Clarke | 2,000,000 | 30/11/2016 | - | 30/11/2021 | \$0.150 | \$0.047 |
| Steven Yatomi-Clarke | 2,000,000 | 30/11/2016 | - | 30/11/2021 | \$0.220 | \$0.041 |
| Steven Yatomi-Clarke | 2,000,000 | 30/11/2016 | - | 30/11/2021 | \$0.290 | \$0.037 |

Options

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:

| Grant date | Vesting date and exercisable date | Expiry date | Exercise price on vesting | Fair value per option at grant date |
|------------------|-----------------------------------|------------------|---------------------------|-------------------------------------|
| 20 April 2017 | 20 April 2017 | 20 April 2021 | \$0.1206 | \$0.037 |
| 20 April 2017 | 20 April 2018 | 20 April 2021 | \$0.1206 | \$0.036 |
| 20 April 2017 | 20 April 2019 | 20 April 2021 | \$0.1206 | \$0.036 |
| 20 April 2017 | 20 April 2020 | 20 April 2021 | \$0.1206 | \$0.035 |
| 16 May 2017 | 16 May 2017 | 16 May 2021 | \$0.1150 | \$0.038 |
| 16 May 2017 | 16 May 2018 | 16 May 2021 | \$0.1150 | \$0.037 |
| 16 May 2017 | 16 May 2019 | 16 May 2021 | \$0.1150 | \$0.036 |
| 16 May 2017 | 16 May 2020 | 16 May 2021 | \$0.1150 | \$0.035 |
| 20 November 2018 | 20 November 2018 | 18 December 2022 | \$0.1016 | \$0.039 |
| 20 November 2018 | 20 November 2019 | 18 December 2022 | \$0.1016 | \$0.039 |
| 26 April 2019 | 2 May 2019 | 2 May 2023 | \$0.0663 | \$0.026 |
| 26 April 2019 | 1 May 2020 | 2 May 2023 | \$0.0663 | \$0.026 |
| 26 April 2019 | 1 May 2021 | 2 May 2023 | \$0.0663 | \$0.026 |
| 1 June 2020 | 1 June 2020 | 1 June 2024 | \$0.0750 | \$0.037 |
| 1 June 2020 | 1 June 2021 | 1 June 2024 | \$0.0750 | \$0.037 |
| 1 June 2020 | 1 June 2022 | 1 June 2024 | \$0.0750 | \$0.037 |

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

| Name | Number of options granted during the year 30 June 2020 | Number of options granted during the year 30 June 2019 | Number of options vested during the year 30 June 2020 | Number of options vested during the year 30 June 2019 |
|-------------------------|--|--|---|---|
| Mr Paul Hopper | - | 415,000 | - | 200,083 |
| Professor Said Sebt | - | - | 316,667 | 316,667 |
| Mr Steven Yatomi-Clarke | - | 5,500,000 | 2,166,667 | 2,166,667 |
| Mr Steven Engle | - | 670,000 | 223,333 | 315,883 |
| Dr James Campbell | - | 415,000 | 138,333 | 200,083 |
| Dr Terrence Chew | - | - | 125,000 | 250,000 |
| Dr Allen Ebens | 415,000 | - | 138,333 | - |

The value of Dr Ebens' options granted was \$15,546.

None of the above options were exercised during the year.

Additional information

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

| | 2020 \$ | 2019 \$ | 2018 \$ | 2017 \$ | 2016 \$ |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 70,361 | 72,109 | 125,156 | 166,220 | 10,704 |
| Net profit/(loss) before tax | (3,321,189) | (3,797,227) | (2,573,730) | (2,567,634) | (1,754,142) |
| Net profit/(loss) after tax | (3,321,189) | (3,797,227) | (2,573,730) | (2,567,634) | (1,754,142) |
| Share price at year end (cents) | 5.40 | 3.80 | 10.80 | 5.10 | 8.60 |

Additional disclosures relating to key management personnel

Shareholding

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

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other* | Balance at the end of the year |
|-------------------------|----------------------------------|----------------------------------|-----------|--------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Mr Paul Hopper | 9,368,544 | - | - | (9,368,544) | - |
| Dr James Campbell | 213,750 | - | - | - | 213,750 |
| Mr Steven Yatomi-Clarke | 4,589,795 | - | - | - | 4,589,795 |
| Professor Said Sebti | 863,000 | - | - | - | 863,000 |
| Ms Melanie Leydin | 250,000 | - | - | - | 250,000 |
| | <u>15,285,089</u> | <u>-</u> | <u>-</u> | <u>(9,368,544)</u> | <u>5,916,545</u> |

* Mr Hopper resigned on 2 January 2020.

Option holding

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

| | Balance at the start of the year | Granted as part of remuneration | Granted /other | Expired/ forfeited/ other* | Balance at the end of the year |
|-------------------------------------|----------------------------------|---------------------------------|----------------|----------------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| Mr Steven Yatomi Clarke | 5,597,692 | - | - | - | 5,597,692 |
| Dr James Campbell | 679,813 | - | - | (247,000) | 432,813 |
| Mr Steven Engle | 1,040,000 | - | - | (370,000) | 670,000 |
| Professor Said Sebti | 1,800,000 | - | - | (600,000) | 1,200,000 |
| Mr Paul Hopper | 765,814 | - | - | (765,814) | - |
| Dr Terrence Chew | 1,000,000 | - | - | (375,000) | 625,000 |
| Dr Allen Ebens | - | 415,000 | - | - | 415,000 |
| | <u>10,883,319</u> | <u>415,000</u> | <u>-</u> | <u>(2,357,814)</u> | <u>8,940,505</u> |

* Mr Hopper resigned on 2 January 2020. The options of Mr Engle, Dr Campbell, Professor Sebti, and Dr Chew expired or lapsed during the year.

Loans to key management personnel and their related parties

There were no loans to Key Management Personnel at any time during the financial year (2019: Nil).

Other transactions with key management personnel and their related parties

The following balances were outstanding at the reporting date in relation to transactions with related parties.

| | Consolidated 2020 | Consolidated 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Trade and other payables to related parties | | |
| Leydin Freyer Corp Pty Ltd | 10,055 | - |
| Terrence Chew | 6,926 | - |
| Said Sebti | 27,613 | - |
| Barrabool Biotechnology Pty Ltd | - | 12,319 |

Leydin Freyer Corp Pty Ltd provides company secretarial and accounting services and is an entity related to Ms Melanie Leydin.

Dr James Campbell receives his director fees through a related entity, Barrabool Biotechnology Pty Ltd.

There were no other transactions with Key Management Personnel other than those disclosed above.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Prescient Therapeutics Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------------|------------------|----------------|---------------------|
| 23 November 2015 | 20 October 2020 | \$0.0560 | 200,000 |
| 20 April 2017 | 20 April 2021 | \$0.1211 | 1,000,000 |
| 16 May 2017 | 16 May 2021 | \$0.1155 | 625,000 |
| 10 May 2018 | 10 May 2022 | \$0.1362 | 1,400,000 |
| 20 November 2018 | 18 December 2022 | \$0.1016 | 2,000,000 |
| 30 April 2019 | 31 March 2023 | \$0.0625 | 4,200,000 |
| 26 April 2019 | 2 May 2023 | \$0.0663 | 4,723,333 |
| 23 May 2019 | 3 June 2023 | \$0.0628 | 800,000 |
| 1 April 2019 | 31 March 2023 | \$0.0625 | 17,656,909 |
| 30 April 2019 | 31 March 2023 | \$0.0625 | 21,188,828 |
| 3 May 2019 | 31 March 2023 | \$0.0625 | 52,343,090 |
| 1 June 2020 | 1 June 2024 | \$0.0750 | 415,000 |
| | | | 106,552,160 |

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.

Shares issued on the exercise of options

There were no ordinary shares of Prescient Therapeutics Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

During the financial year, Prescient Therapeutics Limited paid an insurance premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of its controlled entities against a liability incurred as such an officer or auditor.

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify the auditors, William Buck, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify William Buck during or since the financial year.

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.

Non-audit services

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

Officers of the Company who are former partners of William Buck

There are no officers of the Company who are former partners of William Buck.

Auditor's independence declaration

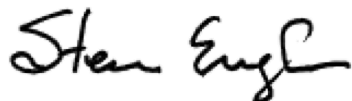
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors

A handwritten signature in black ink that reads "Steven Engle".

Steven Engle
Non-Executive Chairman

25 August 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF PRESCIENT THERAPEUTICS
LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N.S. Benbow
Director

Melbourne, 25 August, 2020

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Prescient Therapeutics Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



| | | Consolidated | |
|--|------|--------------------|--------------------|
| | Note | 30 June 2020 \$ | 30 June 2019 \$ |
| Interest revenue | 5 | 70,361 | 72,109 |
| Other income | 6 | 1,079,337 | 1,647,759 |
| Expenses | | | |
| Research and development costs | | (2,760,001) | (3,682,328) |
| Employment costs | | (418,468) | (486,708) |
| Corporate expenses | | (834,702) | (691,319) |
| Administrative expenses | | (292,684) | (428,551) |
| Share based payments | 27 | (188,414) | (256,170) |
| Interest expense | | (4,190) | (3,301) |
| Foreign exchange movements | | 27,572 | 31,282 |
| Loss before income tax expense | | (3,321,189) | (3,797,227) |
| Income tax expense | | - | - |
| Loss after income tax expense for the year attributable to the Owners of Prescient Therapeutics Limited | | (3,321,189) | (3,797,227) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive loss for the year attributable to the Owners of Prescient Therapeutics Limited | | <u>(3,321,189)</u> | <u>(3,797,227)</u> |
| | | Cents | Cents |
| Basic earnings per share | 26 | (0.84) | (1.55) |
| Diluted earnings per share | 26 | (0.84) | (1.55) |

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

Prescient Therapeutics Limited
Statement of financial position
As at 30 June 2020



| | | Consolidated | |
|--------------------------------------|------|--------------------|--------------------|
| | Note | 30 June 2020 \$ | 30 June 2019 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 7,357,078 | 9,639,637 |
| Trade and other receivables | | 29,845 | 117,201 |
| Term deposits | | 20,000 | 20,000 |
| Prepayments | | 267,668 | 230,982 |
| Other current assets | 8 | 1,030,587 | 1,631,071 |
| Total current assets | | <u>8,705,178</u> | <u>11,638,891</u> |
| Non-current assets | | | |
| Plant and equipment | | 38 | 942 |
| Intangibles | 9 | 3,366,894 | 3,366,894 |
| Total non-current assets | | <u>3,366,932</u> | <u>3,367,836</u> |
| Total assets | | <u>12,072,110</u> | <u>15,006,727</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 662,296 | 551,964 |
| Borrowings | 11 | 156,880 | - |
| Employee benefits | 12 | 45,068 | 116,066 |
| Total current liabilities | | <u>864,244</u> | <u>668,030</u> |
| Non-current liabilities | | | |
| Employee benefits | 13 | 19,707 | 17,763 |
| Total non-current liabilities | | <u>19,707</u> | <u>17,763</u> |
| Total liabilities | | <u>883,951</u> | <u>685,793</u> |
| Net assets | | <u>11,188,159</u> | <u>14,320,934</u> |
| Equity | | | |
| Issued capital | 14 | 63,930,411 | 63,930,411 |
| Reserves | | 715,843 | 1,099,704 |
| Accumulated losses | | (53,458,095) | (50,709,181) |
| Total equity | | <u>11,188,159</u> | <u>14,320,934</u> |

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

Prescient Therapeutics Limited
Statement of changes in equity
For the year ended 30 June 2020



| Consolidated | Issued capital \$ | Share based payments reserve \$ | Share loan plan reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|--|---------------------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2018 | 55,570,683 | 757,008 | 126,186 | (47,014,614) | 9,439,263 |
| Loss after income tax expense for the year | - | - | - | (3,797,227) | (3,797,227) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (3,797,227) | (3,797,227) |
| Share based payments | - | 176,473 | 79,697 | - | 256,170 |
| Issue of shares | 9,118,878 | - | - | - | 9,118,878 |
| Issue of shares on conversion of options | 3,338 | - | - | - | 3,338 |
| Capital raising fees | (762,488) | 63,000 | - | - | (699,488) |
| Lapsed/expired Options | - | (102,660) | - | 102,660 | - |
| Balance at 30 June 2019 | <u>63,930,411</u> | <u>893,821</u> | <u>205,883</u> | <u>(50,709,181)</u> | <u>14,320,934</u> |
| Consolidated | Issued capital \$ | Share based payments reserve \$ | Share loan plan reserve \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2019 | 63,930,411 | 893,821 | 205,883 | (50,709,181) | 14,320,934 |
| Loss after income tax expense for the year | - | - | - | (3,321,189) | (3,321,189) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (3,321,189) | (3,321,189) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments (note 27) | - | 108,717 | 79,697 | - | 188,414 |
| Lapsed/expired Options | - | (572,275) | - | 572,275 | - |
| Balance at 30 June 2020 | <u>63,930,411</u> | <u>430,263</u> | <u>285,580</u> | <u>(53,458,095)</u> | <u>11,188,159</u> |

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

Prescient Therapeutics Limited
Statement of cash flows
For the year ended 30 June 2020



| | Consolidated | |
|--|---------------------|---------------------|
| Note | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers & employees | (4,067,821) | (5,232,742) |
| Interest received | 70,818 | 84,714 |
| R&D tax incentive | 1,629,821 | 939,423 |
| Interest paid | - | (3,301) |
| Government grants received | 50,000 | 16,438 |
| | <hr/> | <hr/> |
| Net cash used in operating activities | 25 (2,317,182) | (4,195,468) |
| | <hr/> | <hr/> |
| Net cash from investing activities | - | - |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| Proceeds from conversion of options | - | 3,338 |
| Proceeds from issue of shares | - | 9,118,877 |
| Capital raising costs | - | (699,488) |
| Repayment of borrowings | - | (56,046) |
| | <hr/> | <hr/> |
| Net cash from financing activities | - | 8,366,681 |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | (2,317,182) | 4,171,213 |
| Cash and cash equivalents at the beginning of the financial year | 9,639,637 | 5,485,902 |
| Effects of exchange rate changes on cash and cash equivalents | 34,623 | (17,478) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial year | 7 <u>7,357,078</u> | <u>9,639,637</u> |

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

Note 1. General information

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

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

Level 4, 100 Albert Road
South Melbourne, VIC, 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 August 2020.

Note 2. 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 consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

In applying AASB 16, there was no impact on the financial statements. The company is a lessee to a number of license agreements associated with intellectual property. However these arrangements do not have a non-cancellable period, and thus no lease liability was required to be recognised. As the consolidated entity is not party to any other leasing arrangements, there were no right-of-use assets and corresponding lease liabilities recognised in the statement of financial position.

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').

For the purposes of preparing financial statements, Prescient Therapeutics Limited is a for-profit entity.

Note 2. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

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

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 de-consolidated from the date that control ceases.

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

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

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.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Prescient Therapeutics Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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 consolidated entity'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.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity'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.

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.

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.

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.

Note 3. 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the consolidated entity's current operations, supply chain, logistics, staffing and geographic regions in which the consolidated entity operates.

Whilst some laboratories and research facilities may be understaffed, or temporarily closed, the Company's operations are relatively unaffected. Other than as addressed in specific notes, there does not currently appear to be any other significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 27 for further details.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intend to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 13, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

Identification of reportable operating segments

The company operated predominately in the clinical stage oncology industry within Australia. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Board reviews the Company as a whole in the business segment of clinical stage oncology within Australia.

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 is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Interest revenue

| | Consolidated | |
|-----------------|---------------|---------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Interest income | 70,361 | 72,109 |
| | <u>70,361</u> | <u>72,109</u> |

Accounting policy for revenue recognition *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.

Note 6. Other income

| | Consolidated | |
|--|------------------|------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Government grants | 50,000 | 16,438 |
| Research and development tax incentive | 1,029,337 | 1,631,321 |
| Other income | 1,079,337 | 1,647,759 |
| | <u>1,079,337</u> | <u>1,647,759</u> |

The Research and Development Tax Incentive programme provides tax offsets for expenditure on eligible R&D activities. Under the programme, Prescient, having expected aggregated annual turnover of under \$20 million, is entitled to a refundable R&D credit of 43.5% (2019: 43.5%) on the eligible R&D expenditure incurred on eligible R&D activities. One of the conditions the company must meet is ensuring more than 50% of total R&D activity costs will be incurred in Australia.

The refundable R&D tax offset is accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

During the financial year ended 30 June 2020, the consolidated entity recognised R&D tax incentive revenue of \$1,029,337 (2019: \$1,631,321).

During the year, the consolidated entity also received \$50,000 in the Australian Government's *Boosting Cash Flow for Employers* assistance, which supported businesses during the economic downturn associated with COVID-19. In the prior year, the consolidated entity claimed and received business growth grants of \$16,438 from the Department of Industry, Innovation and Science.

Accounting policy for Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Note 7. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|------------------|------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Cash at bank | 3,857,078 | 7,139,637 |
| Cash on deposit | 3,500,000 | 2,500,000 |
| | <u>7,357,078</u> | <u>9,639,637</u> |

Note 7. Current assets - cash and cash equivalents (continued)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash on deposit relates to short-term deposits with a maturity of three months or less.

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.

Note 8. Current assets - other current assets

| | Consolidated | |
|------------------------------|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| R&D tax incentive receivable | <u>1,030,587</u> | <u>1,631,071</u> |

During the year, the consolidated entity recognised a R&D tax incentive revenue receivable of \$1,030,587. On 8 November 2019, the consolidated entity received \$1,629,821 in relation to the 2019 financial year R&D tax incentive.

Note 9. Non-current assets - intangibles

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Intellectual property - at fair value on acquisition | <u>3,366,894</u> | <u>3,366,894</u> |

Accounting policy for intangible assets

Intangible assets acquired separately are initially recognised at cost. Intangible assets with indefinite useful lives or with finite lives however not available for use, 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.

Impairment assessment at 30 June 2020

The intellectual property has been allocated to two cash-generating units (CGUs), being PTX-100 and PTX-200. The impairment assessment consisted of a comparison of the carrying value of each of these with their recoverable amount. The recoverable amounts of the CGUs were determined amounts based on assessments of their fair value less costs of disposal.

The Company applied the cost approach in determining the recoverable amount. A cost approach reflects the amount that would be required to replace the service capacity of an asset (often referred to as current replacement cost).

The elements of cost included in this model were the initial costs to acquire the asset (licence) and the costs expensed in relation to continuing to advance the progress in the development of these assets. The costs incurred in continuing development were determined in reference to the historical Research and Development claims submitted from 2015 – present.

The fair value is based on level 3 unobservable inputs, being the consolidated entity's internal financial information.

No reasonably possible change in any of the assumptions applied in deriving these recoverable value assessments would have resulted in impairment for the year ended 30 June 2020.

Note 10. Current liabilities - trade and other payables

| | Consolidated | |
|-----------------------------|-----------------------|-----------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Trade payables | 479,924 | 393,151 |
| Other payables and accruals | <u>182,372</u> | <u>158,813</u> |
| | <u><u>662,296</u></u> | <u><u>551,964</u></u> |

Refer to note 16 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted.

Note 11. Current liabilities - borrowings

| | Consolidated | |
|-------------------|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Premium financing | <u>156,880</u> | <u>-</u> |

Refer to note 16 for further information on financial instruments.

During the year, the consolidated entity entered into a premium finance arrangement to fund its insurance.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 12. Current liabilities - employee benefits

| | Consolidated | |
|--------------|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Annual leave | <u>45,068</u> | <u>116,066</u> |

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 13. Non-current liabilities - employee benefits

| | Consolidated | |
|--------------------|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Long service leave | <u>19,707</u> | <u>17,763</u> |

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 14. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>394,260,627</u> | <u>394,260,627</u> | <u>63,930,411</u> | <u>63,930,411</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|----------------------|---------------|--------------------|--------------------|-------------------|
| Balance | 1 July 2018 | 211,864,521 | | 55,570,683 |
| Options Conversion | 5 July 2018 | 18,541 | \$0.1800 | 3,338 |
| Placement tranche 1 | 1 April 2019 | 35,313,842 | \$0.0500 | 1,765,692 |
| Rights issue | 30 April 2019 | 42,377,565 | \$0.0500 | 2,118,878 |
| Placement tranche 2 | 3 May 2019 | 104,686,158 | \$0.0500 | 5,234,308 |
| Capital raising fees | | | | (762,488) |
| Balance | 30 June 2019 | <u>394,260,627</u> | | <u>63,930,411</u> |
| Balance | 30 June 2020 | <u>394,260,627</u> | | <u>63,930,411</u> |

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

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

Note 14. Equity - issued capital (continued)

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

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

The capital risk management policy remains unchanged from the 2019 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 15. Equity - dividends

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

Note 16. Financial instruments

Financial risk management objectives

The consolidated entity's principal financial instruments comprise receivables, payables, cash at bank and short term deposits from time to time.

The consolidated entity manages its exposures to key financial risk, including interest rate and currencies in accordance with the consolidated entity's financial risk management policy, which requires it to undertake those actions that are necessary to reduce the consolidated entity's exposure to financial risk so as to provide reasonable assurances as to financial outcomes in respect to the transactional circumstances of each situation.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from 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 carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|--------------|--------------|--------------|--------------|--------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| Consolidated | \$ | \$ | \$ | \$ |
| US dollars | 589,196 | 566,661 | 458,797 | 381,259 |

The consolidated entity had net assets denominated in foreign currencies of \$130,399 (assets of \$589,196 less liabilities of \$458,797) as at 30 June 2020 (2019: net assets of \$185,402 (assets of \$566,661 less liabilities of \$381,259)). Based on this exposure, the following sensitivity analysis has been performed. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Note 16. Financial instruments (continued)

| Consolidated - 30 June 2020 | % change | AUD strengthened | | % change | AUD weakened | |
|-----------------------------|----------|-----------------------------|------------------|----------|-----------------------------|------------------|
| | | Effect on profit before tax | Effect on equity | | Effect on profit before tax | Effect on equity |
| US dollars | 10% | <u>13,040</u> | <u>13,040</u> | (10%) | <u>(13,040)</u> | <u>(13,040)</u> |

| Consolidated - 30 June 2019 | % change | AUD strengthened | | % change | AUD weakened | |
|-----------------------------|----------|-----------------------------|------------------|----------|-----------------------------|------------------|
| | | Effect on profit before tax | Effect on equity | | Effect on profit before tax | Effect on equity |
| US dollars | 1% | <u>1,854</u> | <u>1,854</u> | (1%) | <u>(1,854)</u> | <u>(1,854)</u> |

Interest rate risk

The consolidated entity's exposure to market interest rates relate to the consolidated entity's cash at bank and on deposit. All interest bearing debt is not variable. The consolidated entity does not enter into any interest rate swap or cap contracts.

At the reporting date the consolidated entity had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges. Cash at bank of \$3,267,880 (2019: \$9,639,637). The sensitivity of the cash at bank balance to changes in interest rate (of +/-1%) equates to +/- \$32,679 (2019: +/- \$96,396). The sensitivity of 1% is based on reasonable, possible changes, over a financial year, using the observed range of actual historical short term deposit rate movements and management's expectation of future movements.

Liquidity risk

The consolidated entity has historically raised capital approximately every 12-18 months.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 30 June 2020 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 479,924 | - | - | - | 479,924 |
| Other payables | - | 182,372 | - | - | - | 182,372 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Premium finance | 3.99% | <u>163,140</u> | - | - | - | <u>163,140</u> |
| Total non-derivatives | | <u>825,436</u> | - | - | - | <u>825,436</u> |

| Consolidated - 30 June 2019 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 393,151 | - | - | - | 393,151 |
| Other payables | - | 158,813 | - | - | - | 158,813 |
| Total non-derivatives | | <u>551,964</u> | - | - | - | <u>551,964</u> |

Note 16. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

The carrying amount of financial assets and liabilities is a reasonable approximation of fair value.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

| Consolidated | 30 June 2020 | | 30 June 2019 | |
|-----------------------------|-----------------------|------------------|-----------------------|------------------|
| | Carrying amount \$ | Fair value \$ | Carrying amount \$ | Fair value \$ |
| <i>Assets</i> | | | | |
| Cash and cash equivalents | 7,357,078 | 7,357,078 | 9,639,637 | 9,639,637 |
| Trade and other receivables | 29,845 | 29,845 | 117,201 | 117,201 |
| | <u>7,386,923</u> | <u>7,386,923</u> | <u>9,756,838</u> | <u>9,756,838</u> |
| <i>Liabilities</i> | | | | |
| Trade payables | 479,924 | 479,924 | 393,151 | 393,151 |
| Other payables | 182,372 | 182,372 | 158,813 | 158,813 |
| Premium financing | 156,880 | 156,880 | - | - |
| | <u>819,176</u> | <u>819,176</u> | <u>551,964</u> | <u>551,964</u> |

Note 17. Key management personnel disclosures

Directors

The following persons were Directors of Prescient Therapeutics Limited during the financial year:

| | |
|--|---------------------------|
| Mr Steven Yatomi-Clarke | Managing Director and CEO |
| Mr Steven Engle | Non-executive Chairman |
| Mr Paul Hopper (resigned 2 January 2020) | Non-executive Director |
| Dr James Campbell | Non-executive Director |
| Dr Allen Ebens (appointed 1 June 2020) | Non-executive Director |

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

| | |
|----------------------|--------------------------|
| Professor Said Sebti | Chief Scientific Officer |
| Dr Terrence Chew | Chief Medical Officer |
| Ms Melanie Leydin | Company Secretary |

Compensation

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

| | Consolidated | |
|------------------------------|--------------------|--------------------|
| | 30 June 2020 \$ | 30 June 2019 \$ |
| Short-term employee benefits | 1,043,012 | 962,853 |
| Post-employment benefits | 31,333 | 31,851 |
| Long-term benefits | 6,238 | 6,364 |
| Share-based payments | 162,644 | 211,436 |
| | <u>1,243,227</u> | <u>1,212,504</u> |

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

| | Consolidated | |
|---|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| <i>Audit services - Ernst & Young</i> | | |
| Audit or review of the financial statements | 24,273 | 55,000 |
| <i>Audit services - William Buck</i> | | |
| Audit or review of the financial statements | 22,000 | - |
| | 46,273 | 55,000 |

Note 19. Contingent liabilities

The consolidated entity has entered into several agreements whereby it is obliged to make royalty payments on future sales and make future cash milestone payments if certain events occur. These agreements include the following:

Yale University

The agreement includes:

- Milestone payments based on dosing of patients in trials
- Milestone payments based on First New Drug Application (NDA) for a licensed product, and the associated FDA approval of the NDA
- Milestone payments based on market entry of licensed products in certain countries
- Royalty payments based on worldwide annual net sales

Cahaba Pharmaceuticals LLC

The agreement includes:

- Payments derived from achievement of clinical success-based milestones
- Milestone payments based on FDA acceptance of trials conducted
- Milestone payments based on dosing of patients in trials
- Milestone payments based on First New Drug Application (NDA) for a licensed product, and the associated FDA approval of the NDA
- Royalty payments based on net sales and sublicensing revenue

University of Pennsylvania

The agreement includes:

- Development milestone payments based on first dosing of a subject in phases of clinical trials
- Milestone payments based on reaching certain levels of product net sales
- Royalties paid on levels of annual product net sales

Oxford University

The agreement includes:

- Royalties paid on net sales of a licensed product
- Milestone payments based on commencement of phases and first regulatory approval of products

Note 20. Commitments

The consolidated entity has entered into a number of licence agreements as outlined below:

Yale University License agreement

An agreement was entered into to license certain intellectual property and technology from Yale University. As part of the agreement the consolidated entity is required to pay annual license maintenance fees.

University of Pennsylvania License agreement

An agreement was entered into to license certain intellectual property and technology from the University of Pennsylvania. As part of the agreement the consolidated entity is required to pay annual license maintenance fees.

Oxford University License agreement

An agreement was entered into to license certain intellectual property and technology from the Oxford University. As part of the agreement the consolidated entity is required to pay annual license maintenance fees.

Note 21. Related party transactions

Parent entity

Prescient Therapeutics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Key management personnel

Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the Directors' report.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Trade and other payables to related parties: | | |
| Barrabool Biotechnology Pty Ltd | - | 12,319 |
| Leydin Freyer Corp Pty Ltd | 10,055 | - |
| Terrence Chew | 6,926 | - |
| Said Sebti | 27,613 | - |

* Leydin Freyer Corp Pty Ltd provides company secretarial and accounting services and is an entity related to Ms Melanie Leydin.

Dr James Campbell receives his director fees through a related entity, Barrabool Biotechnology Pty Ltd.

Loans to/from related parties

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

Terms and conditions

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

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Loss after income tax | (3,321,189) | (3,797,227) |
| Total comprehensive loss | (3,321,189) | (3,797,227) |

Statement of financial position

| | Parent | |
|------------------------------|-------------------|-------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Total current assets | 8,705,178 | 11,638,891 |
| Total assets | 12,072,110 | 15,006,727 |
| Total current liabilities | 864,244 | 668,030 |
| Total liabilities | 883,951 | 685,793 |
| Equity | | |
| Issued capital | 63,930,411 | 63,930,411 |
| Share based payments reserve | 430,263 | 893,821 |
| Share loan plan reserve | 285,580 | 205,883 |
| Accumulated losses | (53,458,095) | (50,709,181) |
| Total equity | <u>11,188,159</u> | <u>14,320,934</u> |

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 2020 (30 June 2019: nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (30 June 2019: nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2020 (30 June 2019: nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

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

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|--------------------|-------------------|
| | | 30 June 2020 % | 30 June 2019 % |
| OmniCAR Bio Pty Ltd (formerly Virax Immunotherapeutics Pty Ltd) | Australia | 100.00% | 100.00% |
| Pathway Oncology Pty Ltd | Australia | 100.00% | 100.00% |
| AKTivate Therapeutics Pty Ltd | Australia | 100.00% | 100.00% |

Note 24. Events after the reporting period

On 27 July 2020 the company announced a Share Purchase Plan to raise up to \$6.5 million to progress the company's clinical and preclinical programs and general working capital. This was completed on 21 August 2020 and was heavily oversubscribed.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|--|--------------------|--------------------|
| | 30 June 2020 \$ | 30 June 2019 \$ |
| Loss after income tax expense for the year | (3,321,189) | (3,797,227) |
| Adjustments for: | | |
| Share-based payments | 188,414 | 256,170 |
| Foreign exchange differences | (34,623) | 17,478 |
| Depreciation | 904 | 1,338 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 87,356 | (71,671) |
| Increase in prepayments | (36,686) | (139,232) |
| Decrease/(increase) in other current assets | 600,484 | (652,604) |
| Increase in trade and other payables | 267,210 | 144,941 |
| Increase/(decrease) in employee benefits | (69,052) | 45,339 |
| Net cash used in operating activities | <u>(2,317,182)</u> | <u>(4,195,468)</u> |

Note 26. Earnings per share

| | Consolidated | |
|--|--------------------|--------------------|
| | 30 June 2020 \$ | 30 June 2019 \$ |
| Loss after income tax attributable to the Owners of Prescient Therapeutics Limited | <u>(3,321,189)</u> | <u>(3,797,227)</u> |

Note 26. Earnings per share (continued)

| | Number | Number |
|---|-------------|-------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 394,260,627 | 244,545,485 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 394,260,627 | 244,545,485 |
| | Cents | Cents |
| Basic earnings per share | (0.84) | (1.55) |
| Diluted earnings per share | (0.84) | (1.55) |

The rights to options held by option holders and the holders of performance rights have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share".

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Owners of Prescient Therapeutics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 27. Share-based payments

Options

Under the company's Employee/Executive Share Option Plan (ESOP), awards are delivered to directors and other key management personnel in the form of options over shares which vest over a period of two to four years. The vesting conditions of the current options on issue are based on time-based milestones.

Set out below are summaries of equity-settled unlisted options granted and on issue at the end of the financial year:

30 June 2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Forfeited | Expired | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-------------|-----------|--------------------------------|
| 23/11/2015 | 20/10/2020 | \$0.0560 | 200,000 | - | - | - | 200,000 |
| 21/12/2019 | 21/12/2019 | \$0.1189 | 864,000 | - | - | (864,000) | - |
| 20/04/2017 | 20/04/2021 | \$0.1211 | 1,600,000 | - | (600,000) | - | 1,000,000 |
| 16/05/2017 | 16/05/2021 | \$0.1150 | 1,000,000 | - | (325,000) | - | 675,000 |
| 10/05/2018 | 10/05/2022 | \$0.0000 | 1,400,000 | - | - | - | 1,400,000 |
| 20/11/2018 | 18/12/2022 | \$0.0000 | 2,000,000 | - | - | - | 2,000,000 |
| 26/04/2019 | 02/05/2023 | \$0.0000 | 5,000,000 | - | (267,667) | - | 4,732,333 |
| 23/05/2019 | 03/06/2023 | \$0.0000 | 800,000 | - | - | - | 800,000 |
| 01/06/2020 | 01/06/2024 | \$0.0750 | - | 415,000 | - | - | 415,000 |
| | | | 12,864,000 | 415,000 | (1,192,667) | (864,000) | 11,222,333 |

During the period, the company granted and issued 415,000 unlisted options in accordance with the company's ESOP.

Note 27. Share-based payments (continued)

30 June 2019

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Forfeited | Expired | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|------------------|------------------|--------------------|--------------------------------|
| 11/12/2014 | 11/12/2018 | \$0.1360 | 500,000 | - | - | (500,000) | - |
| 04/11/2015 | 04/11/2018 | \$0.0810 | 700,000 | - | - | (700,000) | - |
| 23/11/2015 | 20/10/2020 | \$0.0560 | 200,000 | - | - | - | 200,000 |
| 21/12/2016 | 21/12/2019 | \$0.1189 | 864,000 | - | - | - | 864,000 |
| 20/04/2017 | 20/04/2021 | \$0.1206 | 1,600,000 | - | - | - | 1,600,000 |
| 16/05/2017 | 16/05/2021 | \$0.1150 | 1,000,000 | - | - | - | 1,000,000 |
| 10/05/2018 | 10/05/2022 | \$0.1362 | 2,200,000 | - | (800,000) | - | 1,400,000 |
| 20/11/2018 | 18/12/2022 | \$0.1016 | - | 2,000,000 | - | - | 2,000,000 |
| 26/04/2019 | 02/05/2023 | \$0.0663 | - | 5,000,000 | - | - | 5,000,000 |
| 23/05/2019 | 03/06/2023 | \$0.0628 | - | 800,000 | - | - | 800,000 |
| | | | <u>7,064,000</u> | <u>7,800,000</u> | <u>(800,000)</u> | <u>(1,200,000)</u> | <u>12,864,000</u> |

For the unlisted 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 |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 01/06/2020 | 01/06/2024 | \$0.0640 | \$0.0750 | 86.990% | - | 0.040% | \$0.037 |

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

| 2020 | Grant date | Expiry date | Exercise price | Exercisable at the start of the year | Vested | Forfeited | Expired | Exercisable at the end of the year |
|------|------------|-------------|----------------|--------------------------------------|------------------|------------------|------------------|------------------------------------|
| | 23/11/2015 | 20/10/2020 | \$0.0560 | 150,000 | 50,000 | - | - | 200,000 |
| | 21/12/2016 | 21/12/2019 | \$0.1189 | 864,000 | - | - | (864,000) | - |
| | 20/04/2017 | 20/04/2021 | \$0.1211 | 1,333,333 | 266,667 | (600,000) | - | 1,000,000 |
| | 16/05/2017 | 16/05/2021 | \$0.1150 | 750,000 | 125,000 | (250,000) | - | 625,000 |
| | 10/05/2018 | 10/05/2022 | \$0.1362 | 700,000 | 350,000 | - | - | 1,050,000 |
| | 20/11/2018 | 18/12/2022 | \$0.1016 | 1,000,000 | 1,000,000 | - | - | 2,000,000 |
| | 26/04/2019 | 02/05/2023 | \$0.0663 | 1,666,667 | 1,528,333 | - | - | 3,195,000 |
| | 23/05/2019 | 03/06/2023 | \$0.0628 | 200,000 | 200,000 | - | - | 400,000 |
| | 01/06/2020 | 01/06/2024 | \$0.0750 | - | 138,333 | - | - | 138,333 |
| | | | | <u>6,664,000</u> | <u>3,658,333</u> | <u>(850,000)</u> | <u>(864,000)</u> | <u>8,608,333</u> |

Loan Funded Shares

On 30 November 2016, shareholders approved the Company's proposal to issue up to 8,000,000 Loan Funded Shares (LFS) with an expiry date of 30 November 2021 to the Company's Managing Director, Mr Steven Yatomi-Clarke, by way of a non-recourse, interest-free loan. The loan is repayable at any time or is repayable immediately if the participant ceases to be an employee. If the employee sells the shares, the shares are payable on the date of receipt of the funds.

The initial tranche of 2,000,000 shares was issued at \$0.094 (9.4 cents) on 21 December 2016. The second tranche, of 2,000,000 shares will be issued when the 5-day VWAP of the ordinary shares in the Company reaches \$0.15 (15 cents) prior to the expiry date; the third tranche of 2,000,000 shares will be issued when the 5-day VWAP of the ordinary shares in the Company reaches \$0.22 (22 cents) prior to the expiry date; and the fourth and final tranche of 2,000,000 shares will be issued when the 5-day VWAP of ordinary shares in the Company reaches \$0.29 (29 cents) prior to the expiry date.

During the current year there were no shares issued under the plan (2019: nil).

Note 27. Share-based payments (continued)

Reconciliation of share based payments expense recorded in the statement of profit and loss relating to each class of share based payment:

| | Consolidated | |
|--|-----------------------|-----------------------|
| | 30 June 2020 | 30 June 2019 |
| Options payments to directors and advisors | 108,717 | 176,473 |
| Loan funded shares expense | <u>79,697</u> | <u>79,697</u> |
| Total share based payment | <u><u>188,414</u></u> | <u><u>256,170</u></u> |

Accounting policy for share-based payments

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

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

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

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

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 consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

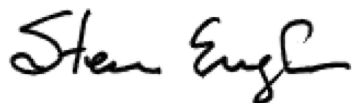
In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 of the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

A handwritten signature in black ink that reads "Steven Engle".

Steven Engle
Non-Executive Chairman

25 August 2020

Prescient Therapeutics Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prescient Therapeutics Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

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

Other Matter

The financial report of the Group for the year ended 30 June 2019 was audited by another auditor who expressed an unmodified opinion on the financial report on 26 August 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

ASSESSMENT OF IMPAIRMENT OF INTANGIBLE ASSETS

| Area of focus | How our audit addressed it |
|--|---|
| <p>At 30 June 2020, the Company held \$3.4m of intangible assets, comprised of licences held for intellectual property (IP) acquired in the 2014 calendar year – its PTX-100 and PTX-200 assets. Since their acquisition, all subsequent costs relating to the PTX-100 and PTX-200 assets have been classified as research costs in accordance with AASB 138 <i>Intangible Assets</i> and charged to the profit and loss.</p> <p>Both assets were classified at initial recognition as having finite useful lives, but as they are yet to be put to commercial use, the Company has not yet commenced their amortisation period.</p> <p>The recoverable value of the IP has been assessed this year by applying a fair value less costs to sell approach (fair value).</p> <p>In assessing this fair value, the Directors have considered the following sources of information, being:</p> <ul style="list-style-type: none"> — The replacement value of those assets, by examining what costs would be necessary (allowing for any redundancy in both programs) to bring both assets to their present condition in replicating all research and development costs contributed to the assets up to 30 June 2020; — Examining the values of other comparable oncology therapeutics companies in similar stages of development; and — Comparing the overall market capitalisation of the Group to its net asset value. <p>Based upon this analysis the Directors have concluded that the IP as at 30 June 2020 is not impaired.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> — Examining the history of the acquisition and development of the IP assets, both by examining the predecessor auditor’s workpapers, reading through the IP acquisition agreements and through consultation with management; — Understanding the licence conditions over those IP assets and examining the tenure of the patents held by the licence owner; — Recomputing the fair value calculations made by management over the IP assets; and — Enlisting the support of our Corporate Advisory team to determine that the sources of information used by the Directors to assess for impairment are appropriate in the context of assessing fair value less costs to sale under Australian Accounting Standards. <p>We also examined the sufficiency of the disclosures made by Directors concerning impairment in these financial statements.</p> |

| ACQUISITION OF LICENCES | |
|---|--|
| Area of focus | How our audit addressed it |
| <p>On 26 May 2020 the Company announced the acquisition of two new licences from the University of Pennsylvania and Oxford University.</p> <p>These acquisitions have fee structures that include upfront issue fees, annual recurring fees, deferred development milestone fees and royalty and sales fees if and when the IP under the licence is commercialised.</p> <p>Directors have considered that the requirement to pay annual fees for both licences means that any future economic benefits attached to the licence do not extend beyond 12 months, and that therefore this prepaid amount is charged on a straight-line basis over the 12 months to the profit or loss statement.</p> <p>Moreover, those future payments (annual fees, royalties, milestone payments etc...) are contingent upon future events occurring and therefore represent contingent liabilities of the Group as at 30 June 2020 and are disclosed in Note 19 to the financial statements.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> — Examining both licence agreements; — Consulting with our Technical Team to ensure that the arrangements do not constitute business combinations, leases (under the scoping of AASB 16) or that the deferred payments under the licences are obligations; <p>We also examined the sufficiency of the disclosures made by Directors concerning those deferred payment arrangements in these financial statements.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

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

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N.S. Benbow

Director

Melbourne, 25 August, 2020

The shareholder information set out below was applicable as at 13 August 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of listed options |
|---------------------------------------|---|--|
| 1 to 1,000 | 2,581 | 129 |
| 1,001 to 5,000 | 227 | 103 |
| 5,001 to 10,000 | 404 | 38 |
| 10,001 to 100,000 | 1,472 | 117 |
| 100,001 and over | 642 | 118 |
| | <u>5,326</u> | <u>505</u> |
| Holding less than a marketable parcel | <u>2,996</u> | <u>282</u> |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number held | Ordinary shares % of total shares issued |
|---|--------------------|---|
| National Nominees Limited | 25,619,604 | 6.50 |
| Retzos Executive Pty Ltd (Retzos Executive S/Fund A/C) | 15,800,000 | 4.01 |
| Mr Andrew Morrison Stewart | 6,433,348 | 1.63 |
| Mr Richard Thomas Hayward Daly & Mrs Sarah Kay Daly (Daly Family S/F Tom A/C) | 5,761,934 | 1.46 |
| Westpark Operations Pty Ltd (Westpark Operations Unit A/C) | 4,623,812 | 1.17 |
| Margaret Khoo | 4,444,444 | 1.13 |
| J P Morgan Nominees Australia Pty Limited | 3,744,725 | 0.95 |
| Dr Huy Tran | 3,703,018 | 0.94 |
| Comsec Nominees Pty Limited | 3,635,488 | 0.92 |
| Kilinwata Investments | 3,306,334 | 0.84 |
| Wigtown Pty Limited | 3,009,261 | 0.76 |
| Citicorp Nominees Pty Limited | 2,988,960 | 0.76 |
| Mrs Pei Fei Cong | 2,788,175 | 0.71 |
| Mrs Margaret Ann Ryan & Mr Micheal Rodney Ryan | 2,770,000 | 0.70 |
| Shayden Nominees Pty Ltd | 2,759,526 | 0.70 |
| Mr Christopher Ferris | 2,700,000 | 0.68 |
| Mr Wesley Andrew Burrows | 2,440,655 | 0.62 |
| Retzos Family Pty Ltd (Retzos Family S/Fund A/C) | 2,319,049 | 0.59 |
| Galufu Pty Ltd | 2,150,000 | 0.55 |
| Ezy-Van Pty Ltd (Ik & Pj Stewart S/F A/C) | 2,104,631 | 0.53 |
| | <u>103,102,964</u> | <u>26.15</u> |

| | Options over ordinary shares | |
|---|------------------------------|---------------------------|
| | Number held | % of total options issued |
| National Nominees Limited | 11,000,000 | 11.53 |
| Bnp Paribas Noms Pty Ltd (Drp) | 6,000,000 | 6.29 |
| Citicorp Nominees Pty Limited | 3,863,713 | 4.05 |
| Retzos Executive Pty Ltd (Retzos Executive S/Fund A/C) | 3,369,050 | 3.53 |
| Mr Paul Homewood | 3,268,123 | 3.43 |
| Cvc Limited | 3,265,186 | 3.42 |
| Mr Timothy Francis Clive Mcdonnell | 3,220,246 | 3.38 |
| Mr Donal Francis O'sullivan | 3,000,000 | 3.15 |
| Alto Opportunity Master Fund & Spc (Segregated Master Port B A/C) | 2,812,000 | 2.95 |
| Brispot Nominees Pty Ltd (House Head Nominee A/C) | 2,622,448 | 2.75 |
| Westpark Operations Pty Ltd (Westpark Operations Unit A/C) | 2,449,406 | 2.57 |
| Mr Michael Hilton Holbrook | 2,043,602 | 2.14 |
| Retzos Family Pty Ltd (Retzos Family S/Fund A/C) | 1,559,524 | 1.63 |
| Mr Philip Steven Targett | 1,500,000 | 1.57 |
| Mr Oon Tian Yeoh & Mrs Elzbieta Helena Yeoh | 1,375,731 | 1.44 |
| Mr Stephen Nancarrow | 1,290,000 | 1.35 |
| M & K Korkidas Pty Ltd (M&K Korkidas P/L S/Fund A/C) | 1,217,394 | 1.28 |
| Ubs Nominees Pty Ltd | 1,107,000 | 1.16 |
| Dossman Pty Ltd | 1,013,263 | 1.06 |
| Mrs Pauline Mary Deeves | 1,010,000 | 1.06 |
| | 56,986,686 | 59.74 |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|-----------------|-------------------|
| Options over ordinary shares issued | 9,538,333 | 10 |

Substantial holders

The Company has received the following substantial Shareholder notices as at the date of this report:

| | Ordinary shares | |
|--|-----------------|--------------------------|
| | Number held | % of total shares issued |
| National Nominees Limited - Australian Ethical Investments Limited | 25,619,604 | 6.50 |
| Chris Retzos | 23,742,861 | 6.02 |

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.

Listed options

| Class | Expiry date | Number holders |
|-------|---------------|----------------|
| PTXOC | 31 March 2023 | 505 |

Corporate Governance Statement

The Company's 2020 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: <https://prescienttherapeutics.investorportal.com.au/corporate-governance-and-directory/>

Annual General Meeting and Director Nomination

Prescient Therapeutics Limited advises that its Annual General Meeting will be held on or about Tuesday, 24 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Tuesday, 13 October 2020. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Tuesday, 6 October 2020 at the Company's Registered Office. The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.