



29 October 2021

Zelira continues to grow revenues and expand its product suite

QUARTERLY ACTIVITIES REPORT FOR Q1 FY2022

Key Highlights



Record quarterly receipts from customers

- 16% growth (on Q4 FY2021) in cash receipts to a record \$0.362 million
- Growth reflects sales of SprinjeneCBD, and consulting payments



Commercialisation accelerating

- Expansion into Germany via exclusive distribution agreement with Adjupharm for Zenivol®
- Launched RAF FIVE™ acne treatment products through dermatology focused subsidiary



Research underpinning new products

- Zelira's observational clinical pain trial received IRB approval in the US



Pershing Securities trading restrictions for cannabis companies lifted



US\$5 million raised (post quarter end) from US-based family office to accelerate growth initiatives, valuing Zelira and its share of associated entities at A\$122.8 million^{1,2}

Reference:

1. Based on the placement price of Zelira's ordinary shares and the value of Zelira Dermatology at the investment value.

2. Using a US\$ / A\$ exchange rate of 0.73.



Zelira Therapeutics Ltd (ASX:ZLD, OTCQB:ZLDAF), a global leader in the development of clinically validated cannabinoid medicines, is pleased to provide this quarterly activities report alongside its Appendix 4C for the three months ended 30 September 2021 (Q1 FY2022).



Commenting on the operational progress in Q1 FY2022, Zelira's Global CEO and Managing Director, Dr Oludare Odumosu said:

"Our company continues to grow revenues with another record for quarterly cash receipts and 16% growth on the previous quarter. Commercialisation continues to ramp up, with revenue growing as sales gain momentum for current products in market, and new products are launched. Zelira is well placed to build on the momentum of the past nine months as we further accelerate our growth initiatives, launching new products and expanding into new geographies and markets via additional distribution agreements.

We were excited to launch Zelira's Dermatology subsidiary and the RAF FIVE™ acne treatment line of skincare products with US board-certified cosmetic dermatologist Dr. Karyn Grossman. Zelira is already known as a leader in cannabinoid research and development for the medical cannabis market, and teaming up with Dr Grossman's medical expertise alongside our ground-breaking scientific formulations has created a truly new and unique solution of proven acne treatments for the US\$11 billion worldwide acne treatment market.

Zelira's expansion into Germany was a key growth milestone, with tremendous opportunity for our clinically validated cannabinoid-based insomnia medication Zenivol®. We are delighted to be partnering with Adjupharm, given their reputation for delivering high-quality products to pharmacies and pharmaceutical wholesalers. This further validates the pharmaceutical quality of our Australian production capabilities, and the safety and efficacy of our clinically validated cannabinoid-based medicines."





Receipts from customers continuing to grow

The Company generated record cash receipts of \$0.362 million over Q1 FY2022, driven by growth in sales of SprinjeneCBD, and consulting payments.

Zelira generated record quarterly cash receipts (product sales and licensing payments) of \$0.36 million in Q1 FY2022, up 16% on Q4 FY2021 and up 426% on Q1 FY2021.

With a suite of new products launched in Q1 FY2022 and further new products aimed for launch in the current quarter, Zelira is well placed to generate further growth in revenue via its diversified income streams.

Commercialisation accelerating

Expansion into Germany via exclusive distribution agreement with Adjupharm for Zenivol®

Zelira has expanded into Germany via a 5-year exclusive distribution agreement with IM Cannabis Corp.'s ("IMC") (CSE:IMCC)(NASDAQ:IMCC) German-based subsidiary Adjupharm, a EU GMP-certified medical cannabis distributor.

Adjupharm will file for formal German government reimbursement for its sales of Zenivol®. If received, this will be the first time a Zelira Pharmaceutical (Rx) product will receive formal government reimbursement.

Germany is set to be one of the largest markets for global cannabinoid-based medicines. In the first half of 2020, over €75 million worth of medical cannabis products were sold in Germany to an estimated patient population of around 120,000.³

This distribution agreement – the first outside of the US and Australia for Zelira's growing Pharmaceutical (Rx) products – follows the June 2021 publication of The University of Western Australia research team's results from its double-blind, placebo controlled, cross-over trial of Zelira's ZTL-101 (Zenivol®) in chronic insomnia patients in [SLEEP®](#), the peer reviewed benchmark international journal for all sleep-related conditions.

Launched RAF FIVE™ acne treatment products through dermatology focused subsidiary

During Q1 FY2022, Zelira launched its five-product RAF FIVE™ acne treatment line in the US through its dermatology subsidiary Ilera Derm LLC ("Zelira Dermatology"). The RAF FIVE™ line is Zelira's first step into the acne medication market valued at more than US\$11 billion worldwide.⁴

Available at www.raffive.com, RAF FIVE™ is the only skin care line in the world to feature Zylorma®, a patent-pending acne fighting complex developed by Zelira and US board-certified cosmetic dermatologist Dr. Karyn Grossman.

Reference:

3. Germany: Cannabis & CBD Consumer Report 2020 - Prohibition Partners

4. <https://www.alliedmarketresearch.com/acne-medication-market>



Research underpinning new products

Zelira US observational clinical pain trial receives IRB approval

In July 2021, Zelira obtained IRB approval for its 12-week Observational Clinical Study to evaluate the efficacy, safety and tolerability of its proprietary, patent protected product against a multi-billion-dollar Big Pharmaceutical company drug.

Zelira confirmed it had successfully navigated a unique regulatory path for this trial and looks forward to the results of the study, which are anticipated in the first half of CY2022. Zelira continues to lead the world in creating and validating proprietary products such as Zenivol®, with a focus on taking these drugs through regulatory registration.

Pershing Securities trading restrictions for cannabis companies lifted

Following the change in ownership of Pershing Australia from Bank of New York Mellon (BNYM) to Finclear Pty Ltd, the 'BNYM Cannabis Securities Policy' that prohibited clients, including a large proportion of Australian brokers, dealing in Cannabis related businesses listed on ASX was lifted and clients of Pershing are now able to trade in such securities. This change was welcomed by Zelira's Board as it restored the ability for a large proportion of Australian brokers and investors to invest in the Company.

US\$5 million raised from US-based family office, post quarter end, to accelerate growth initiatives

On 20 October 2021, Zelira announced that it had raised a total of US\$5 million from Quincy Street Capital LLC (Quincy Street), a US-based family office fund, comprising:

- US\$3.5 million (A\$4.79 million²) via a placement of fully paid ordinary shares at A\$0.06 per share (Placement), a 54% premium to the stock's 19 October 2021 closing price
- 1 unlisted option for every 2 ordinary shares issued, expiring 2 years from the date of issue with an exercise price of A\$0.09 per option
- US\$1.5 million (A\$2.05 million²) via an equity investment in Ilera Derm LLC (Zelira Dermatology) for a 3% shareholding in that company, valuing Zelira Dermatology at US\$50 million

Following the fundraising, Quincy Street will become a substantial shareholder in Zelira with a 6.3% shareholding.

Reference:

2. Using a US\$ / A\$ exchange rate of 0.73.



At a Group level, the fundraising valued Zelira at A\$122.8 million, being US\$50 million for the listed entity and US\$50 million for Zelira Dermatology, of which Zelira holds a 78% interest post fundraising.

The funds raised will be used to accelerate Zelira's growth initiatives, including:

- Clinical development and ongoing trials in Australia and the US
- Additional licensing for Zelira Rx products and technologies
- Commercialisation of RAF FIVE™ products with a focus on rapid market penetration
- Expansion of Zelira's SprinjeneCBD footprint in the US and emerging global CBD markets



Commenting on the successful capital raising, Founder & Chairman Osagie Imasogie said:

"This capital raise was a strong signal of the fundamental value a sophisticated and experienced investor saw in our scientifically based cannabinoid products that are already in market and coming to market, as well as our growing biopharmaceutical portfolio. The valuation at which this raising was undertaken highlights the substantial inherent value of our business.

Quincy Street was particularly appreciative of our several shots on goal strategy, that covers both our prescription [Rx] and Over the Counter [OTC] products. With multiple attractive opportunities in front of us, the funds raised provide the capital to more aggressively roll out our growth strategy with a target of reaching financial breakeven by the end of next calendar year."





Operational activities

The Q1 FY2022 performance reflects Zelira's focus on the expansion of commercialisation activities and revenue generation, with record quarterly cash receipts generated. Zelira's commercialisation program underpinned the launch of a suite of new cannabinoid-based products in Q1, with further products expected to be launched in the current quarter.

Financial snapshot

The Company's net cashflow used in operations for the quarter was \$2.134 million. Operational expenses mainly comprised product manufacturing and operating costs (\$437k), research and development (\$305k), staff costs (\$598k) and administrative and corporate costs (\$912k).

Cash receipts of \$0.362 million were mainly generated from sales of SprinjeneCBD Toothpaste and consulting payments.

Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C, payments to related parties of approximately \$167k comprise Director Services of \$155k and Non-Director Services – corporate advisory services of \$12k – were paid during the quarter.

As at 30 September 2021, the Company had a cash position of \$2.895 million. This excludes the \$6.85 million² raised post quarter end at a 54% premium to Zelira's 19 October 2021 closing price.

Well positioned to drive further growth

Zelira's commercialisation plans continued to be delivered on, with revenues growing from the multiple products it has launched into the Australian and USA markets, while expanding into new geographies like the UK and Germany.

Having launched Zenivol® into Germany, one of the world's largest and fastest growing markets for cannabinoid-based medicines, the Company is continuing to progress additional licensing discussions for HOPE™ and Zenivol™ in the USA while looking to conclude ongoing negotiations to expand distribution of these products into other global markets including the UK.

As a pharmaceutical based company, Zelira continues to focus on its clinical activities to develop and evaluate the efficacy, safety and tolerability of its proprietary formulations and products. These clinical activities are key to differentiating Zelira's products from others in the market and supporting the efficacy of the Company's treatments.



This announcement has been approved and authorised for release by the board of Zelira Therapeutics Limited.

Reference:

2. Using a US\$ / A\$ exchange rate of 0.73.



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About Zelira www.zeliratx.com



Zelira Therapeutics Ltd (ASX:ZLD, OTCQB:ZLDAF) is a leading global biopharmaceutical company manufacturing and marketing cannabinoid-based medicines. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to access the world's largest and fastest growing markets. The Company is focused on developing and clinically validating branded cannabinoid-based medicines for the treatment of a variety of medical conditions in its Rx business, including insomnia, autism and chronic non-cancer pain.

The Company has two proprietary formulations under the HOPE™ brand that are generating revenues in Australia, Pennsylvania, Louisiana and Washington D.C. with other states in the US expected to follow. Zelira is also generating revenue in Australia from its proprietary and patented Zenivol™ - a leading cannabinoid-based medicine for treatment of chronic insomnia. Zenivol™ has successfully completed the first Phase 1b clinical trial for chronic insomnia where it was found to be a safe and effective treatment. This clinical trial is published in the prestigious journal 'Sleep'. In 2020, Zelira partnered with SprinJene® Natural to develop and commercialise natural and organic oral care products under the SprinjeneCBD brand, as part of Zelira's OTC business. The SprinjeneCBD toothpaste product is the first of several scientifically formulated, hemp-derived, oral care products containing cannabinoids and based on the proprietary and patented technology of Blackseed oil and Zinc.

The Company conducts its work in partnership with world-leading researchers and organizations which since inception includes Curtin University in Perth, Western Australia; the Telethon Kids Institute in Perth; the University of Western Australia, in Perth; St. Vincent's Hospital in Melbourne, Australia; and the Children's Hospital of Philadelphia (CHOP) in the United States.

