

Appendix 4D

1. Company Details

Name of Entity

Zelira Therapeutics Limited		
ABN	Half year ended ("current period")	Half year ended ("previous period")
27 103 782 378	31 December 2021	31 December 2020

2. Results for announcement to the market

			AUD \$
2.1 Revenues from ordinary activities	Up	700% to	727,699
2.2 Profit / (loss) from ordinary activities after tax attributable to members - 31 December 2020: loss of (\$3,594,626)	Down	56% to	(5,613,420)
2.3 Net profit / (loss) for the period attributable to members - 31 December 2020: loss of (\$3,594,626)	Down	56% to	(5,613,420)
2.4 Dividends	Amount per security	Franked amount per security	
Interim dividend declared	N/A	N/A	
2.5 Record date for determining entitlements to the dividend	N/A		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood			
Commercialisation continued to ramp up during the period with sales momentum gaining for current products in market and new products being clinically tested and launched. Distribution agreements were entered into in both German and New Zealand and the Company successfully supported Levin Health's receipt of ethics approval for Phase 2A clinical trial for chronic pain.			
3. Net tangible assets per security	31 December 2021	31 December 2020	
Net tangible asset backing per ordinary security	0.006	0.008	
4. Details of entities over which control has been gained or lost			
4.1. Control gained over entities			
N/A			

4.2. Control lost over entities
N/A

5. Dividends

Individual dividends per security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:				
Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

N/A	
The last date(s) for receipt of election notices for the dividend or distribution plans.	N/A

7. Details of associates and joint entities

N/A

8. Foreign entities

N/A

9. If the accounts are subject to audit dispute or qualification, details are described below.

N/A

Sign here:



Date: 23 February 2022

Managing Director

Print Name: Oludare Odumosu



2021 HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2021

Zelira Therapeutics Ltd
ABN 27 103 782 378





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All announcements and financial reports are available on our website www.zeliratx.com

DIRECTORS REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Osagie Imasogie	Chairman
Harry Karelis	Deputy Chairman
Oludare Odumosu	Managing Director
Lisa Gray	Non-Executive Director
Tim Slate	Non-Executive Director (appointed 31 January 2022)
Jason Peterson	Non-Executive Director (resigned 31 January 2022)

Business performance

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.

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

In September the Company announced the expansion into Germany via a 5-year exclusive distribution agreement with IM Cannabis Corp.'s German-based subsidiary Adjupharm, a EU GMP-certified medical cannabis distributor.

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 the first quarter of 2022, Zelira launched its five-product RAF FIVE™ acne treatment line in the US through its dermatology subsidiary Ilera Derm LLC.

Successfully demonstrated enhanced dissolution of cannabinoids using Zelira's enhanced distillate capture and dissolution matrix (EDCDM) and signed a foundation licensing deal for this proprietary technology

In November 2021, Zelira announced that it had successfully demonstrated enhanced dissolution of cannabinoids using its enhanced distillate capture and dissolution matrix (EDCDM) and signed a foundation licensing deal for this proprietary technology that included an upfront non-refundable, non-contingent licensing fee of US\$1 million.

On 10 January 2022, the Company received US\$250,000 of the US\$1 million upfront, non-refundable, non-contingent license fee.

Expansion into New Zealand via exclusive distribution agreement with NUBU Pharmaceuticals for Zenivol® and Hope™

In December 2021 the company announced the expansion into New Zealand via a 5-year exclusive distribution agreement with NUBU Pharmaceuticals ("NUBU"), New Zealand's largest medicinal cannabis distribution company.

This distribution agreement expands the availability of Zenivol®, Zelira's clinically validated cannabinoid-based insomnia medication, beyond Australia and Germany, and HOPE™ beyond Australia and the United States, into the highly regulated and tightly held New Zealand market, further expanding Zelira's global footprint for its Rx business.

Successfully supported Levin Health’s receipt of ethics approval for Phase 2A clinical trial for chronic pain

In December 2021, Zelira announced it had successfully project managed ethics approval for a Phase 2a clinical trial to evaluate the efficacy of its licensed patented cannabinoid formulation, ZTL-106, in treating patients with chronic pain. Levin Health licensed ZTL-106 from Zelira and are the sponsors of the trial being undertaken at La Trobe University’s Sport and Exercise Medicine Research Centre (Melbourne, Australia). This outcome further cements Zelira’s ability to design and have approved clinical trials with medicinal cannabis products.

Clinical trial results of Zelira’s Phase 1 published in the peer-reviewed journal “Pain and Therapy”

In December 2021, Zelira also announced that the St Vincent’s Hospital Melbourne (SVHM) Department of Addiction Medicine research team that undertook the open label dose escalation trial, which results were originally announced on 14 July 2020, in chronic non-cancer pain patients had the results of its trial published in the peer-reviewed journal Pain And Therapy.

The publication of these trial results is further testament of Zelira’s world class pharmaceutical manufacturing and commitment to producing the highest quality, evidence-based cannabinoid medicines. Zelira has also leveraged the knowledge gained from this work to support the development of the proprietary formulation licenced to Levin Health (refer above) and to inform the design of other chronic non-cancer pain trials.

Corporate

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 million) 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; and
- US\$1.5 million (A\$2.05 million) via an equity investment in Ilera Derm LLC (Zelira Dermatology) for a 3% shareholding in that company, valuing Zelira Dermatology at US\$50 million.

On 22 October 2021, the Company announced the issue of 15,500,000 options under the Employee Share Options Plan (“ESOP”) and 22,500,000 under the US ESOP. The plans are intended as an incentive for executives and employees to share in the ownership of Zelira.

The ESOP options are to be issued as follows:

No. Options	Exercise Price (AUD)	Vesting Date	Expiry Date
3,100,000	\$0.10	22/10/22	22/10/25
3,100,000	\$0.15	22/10/23	22/10/25
3,100,000	\$0.20	22/10/23	22/10/25
3,100,000	\$0.28	22/10/24	22/10/25
3,100,000	\$0.30	22/10/24	22/10/25

The US ESOP options are to be issued as follows:

No. Options	Exercise Price (AUD)	Vesting Date	Expiry Date
2,000,000	\$0.10	22/10/22	22/10/25
5,500,000	\$0.15	22/10/22	22/10/25
7,500,000	\$0.25	22/10/23	22/10/25
7,500,000	\$0.30	22/10/24	22/10/25

On 3 November 2021, the Company issued the 79,908,676 shares at an issue price of \$0.06 per share to Quincy Street to raise \$4,794,521. On 3 November 2021, the Company issued 6,000,000 shares at an issue price of \$0.03125 per share to an unlisted option holder to raise \$187,500 pursuant to the exercise of unlisted options. On 18 November 2021, the Company issued 5,000,000 shares at an issue price of \$0.03125 per share to an unlisted option holder to raise \$156,250 pursuant to the exercise of unlisted options.

After balance date events

On 10 January 2022, the Company received US\$250,000 of the US\$1 million upfront, non-refundable, non-contingent license fee signed with DRCN Holdings for Zelira's EDCM technology. The balance is expected to be paid in the first quarter of 2022.

On 12 January 2022, the Company received a \$1,292,000 cash refund under the Australian Federal Government's R&D Tax Incentive Scheme. The funds will be used to support the growth in recent launched products including Zenivol™ for Insomnia, HOPE™ for Autism and a new CBD-Toothpaste into global markets, and also to advance Zelira's ongoing clinical and product development programs.

On 13 January 2022, the Company held its Annual General Meeting. The Company was pleased to advise all resolutions were passed by a poll.

On 31 January 2022, the Company appointed Mr Tim Slate as Non-Executive Director. On the same date Mr Jason Peterson resigned as Non-Executive Director.

On 3 February 2022, the Company issued 372,840,936 Shares to Class A Performance Right holders following the conversion of Performance Rights pursuant to the satisfaction of the Class A Performance Right milestone as announced on 10 January 2022.

Review of operations

During the period ended 31 December 2021, Zelira Therapeutics Limited ("Zelira" or "the Group") reported a net loss after tax attributable to the members of Zelira Therapeutics Limited of \$5,613,420 (31 December 2020: \$3,594,626).

About the business

Zelira Therapeutics Ltd 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 to 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 including 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

Cash flow

The Group's cash at bank was \$7,611,244 at 31 December 2021 (31 December 2020: \$8,641,174).

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the half-year ended 31 December 2021.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.



Oludare Odumosu
Managing Director
23 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Zelira Therapeutics Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
23 February 2022



B G McVeigh
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Condensed Consolidated Statement of Comprehensive Income

	Notes	31 December 2021 (\$)	31 December 2020 (\$)
Continuing operations			
Revenue	3	727,699	90,503
Cost of sales		(634,275)	-
Gross profit		93,424	90,503
Finance income		1	457
Other income	4	-	1,428,338
Compliance and regulatory expenses		(138,255)	(171,982)
Consultants and professional fees		(1,241,115)	(877,828)
Administration expenses		(198,875)	(165,105)
Director and employee expenses		(1,426,895)	(1,327,591)
Research and development		(763,403)	(1,565,088)
Commercialisation expenses		(428,357)	(290,702)
Share based payments	10	(859,128)	(503,660)
Changes in fair value of financial assets at fair value through profit or loss		(66,783)	149,196
Depreciation and amortisation		(322,721)	(240,902)
Finance costs		(27,391)	(21,770)
Other expenses		(233,922)	(98,492)
Loss before income tax expense		(5,613,420)	(3,594,626)
Income tax expense		-	-
Net loss for the period		(5,613,420)	(3,594,626)
<i>Loss attributable to minority interests</i>		(346,967)	-
<i>Loss attributable to members of the parent entity</i>		(5,266,453)	(3,594,626)
		(5,613,420)	(3,594,626)
Other comprehensive income			
Exchange difference on translating foreign operations		(437,677)	(153,586)
Other comprehensive income for the period, net of tax		(437,677)	(153,586)
Total comprehensive loss for the period		(6,051,097)	(3,748,212)
<i>Loss attributable to minority interests</i>		(346,967)	-
<i>Loss attributable to members of the parent entity</i>		(5,704,130)	-
		(6,051,097)	(3,748,212)
Basic loss per share (cents per share)		(0.46)	(0.33)
Diluted loss per share (cents per share)		(0.46)	(0.33)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2021 (\$)	30 June 2021 (\$)
Assets			
Current Assets			
Cash and cash equivalents		7,611,244	4,971,116
Trade and other receivables		318,540	251,611
Inventories	5	1,047,004	867,587
Total Current Assets		8,976,788	6,090,314
Non-Current Assets			
Financial assets held at fair value	11	264	67,047
Right-of-use Assets	6	436,742	478,996
Other financial assets		71,717	99,852
Property, plant and equipment		573,750	759,887
Intangible assets	7	31,791,603	31,869,603
Total Non-Current Assets		32,874,076	33,275,385
Total Assets		41,850,864	39,365,699
Liabilities			
Current Liabilities			
Trade and other payables		818,024	984,979
Lease liabilities	8	117,564	90,534
Total Current Liabilities		935,588	1,075,513
Non-Current Liabilities			
Lease liabilities	8	416,199	460,547
Total Non-Current Liabilities		416,199	460,547
Total Liabilities		1,351,787	1,536,060
Net Assets		40,499,077	37,829,639
Equity			
Issued capital	9	41,789,707	36,651,436
Reserves		30,545,361	28,427,158
Accumulated losses		(32,515,408)	(27,248,955)
Parent entity interest		39,819,660	37,829,639
Minority interest		679,417	-
Total Equity		40,499,077	37,829,639

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

	Issued Capital (\$)	Accumulated Losses (\$)	Foreign Currency Reserve (\$)	Performance Rights Reserve (\$)	Share Based Payments Reserve (\$)	Contribution Reserve (\$)	Total (\$)	Minority Interest (\$)	Total Equity (\$)
Balance at 1 July 2020	26,075,600	(18,699,876)	(112,528)	26,037,664	1,246,065	-	34,546,925	-	34,546,925
Loss for the period	-	(3,594,626)	-	-	-	-	(3,594,626)	-	(3,594,626)
Other comprehensive income	-	-	(153,586)	-	-	-	(153,586)	-	(153,586)
Total comprehensive loss for the period	-	(3,594,626)	(153,586)	-	-	-	(3,748,212)	-	(3,748,212)
Shares issued during the period	10,799,376	-	-	-	-	-	10,799,376	-	10,799,376
Transaction costs relating to the issue of shares	(567,290)	-	-	-	-	-	(567,290)	-	(567,290)
Issue of performance rights to Directors	-	-	-	265,117	-	-	265,117	-	265,117
Proceeds from issue of performance rights	-	-	-	2,500	-	-	2,500	-	2,500
Share-based payments	-	-	-	-	238,543	-	238,543	-	238,543
Share options exercised	187,500	-	-	-	-	-	187,500	-	187,500
Balance at 31 December 2020	36,495,186	(22,294,502)	(266,114)	26,305,281	1,484,608	-	41,724,459	-	41,724,459
Balance at 1 July 2021	36,651,436	(27,248,955)	(162,693)	26,608,570	1,981,281	-	37,829,639	-	37,829,639
Loss for the period	-	(5,266,453)	-	-	-	-	(5,266,453)	(346,967)	(5,613,420)
Other comprehensive income	-	-	(437,677)	-	-	-	(437,677)	-	(437,677)
Total comprehensive loss for the period	-	(5,266,453)	(437,677)	-	-	-	(5,704,130)	(346,967)	(6,051,097)
Transaction with minority interest	-	-	-	-	-	1,696,752	1,696,752	1,026,384	2,723,136
Shares issued during the period	4,794,521	-	-	-	-	-	4,794,521	-	4,794,521
Issue of performance rights to Directors	-	-	-	707,424	-	-	707,424	-	707,424
Share-based payments	-	-	-	-	151,704	-	151,704	-	151,704
Share options exercised	343,750	-	-	-	-	-	343,750	-	343,750
Balance at 31 December 2021	41,789,707	(32,515,408)	(600,370)	27,315,994	2,132,985	1,696,752	39,819,660	679,417	40,499,077

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

Notes (\$)	31 December 2021 (\$)	31 December 2020 (\$)
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	702,461	88,140
Payments to suppliers and employees	(4,711,807)	(3,332,209)
Payments for research	(605,494)	(1,395,209)
Interest received	2	444
Interest paid	(10,482)	(1,590)
Net cash (used in) operating activities	(4,625,320)	(4,640,424)
Cash flows from investing activities		
Government grants and tax incentives	-	1,428,338
Net cash from investing activities	-	1,428,338
Cash flows from financing activities		
Proceeds from issue of shares	4,794,521	10,684,971
Proceeds from issue of shares - subsidiary	1,961,323	-
Issue costs associated with issue of shares	-	(564,281)
Proceeds from the issue of performance rights	-	2,500
Proceeds from issue of options	343,750	187,500
Net cash from financing activities	7,099,594	10,310,690
Net increase in cash held	2,474,274	7,098,604
Effect of exchange rate fluctuations on cash held	165,854	(154,470)
Cash and cash equivalents at the beginning of the period	4,971,116	1,697,040
Cash and cash equivalents at the end of the period	7,611,244	8,641,174

The accompanying notes form part of these financial statements.



1. Statement of Significant Accounting Policies

Statement of compliance

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Zelira Therapeutics Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period, except for the impact of the new Standards and Interpretations as described below. The interim financial statements were authorised for issue on 23 February 2022.

Basis of preparation

The half-year report has been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Going Concern

The Company incurred a loss of \$5,613,420 for the period ended 31 December 2021 and a net cash outflow from operating activities amounting to \$4,625,320. These conditions indicate the existence of inherent uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on Zelira continuing to grow revenues for both current and new products or secure additional funding through capital raising activities to continue its operational and marketing activities. Should these be unsuccessful, there may be an inherent uncertainty relating to the Group's ability to continue as a going concern.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to generate sufficient revenue or secure funds to meet its commitments.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Group is able to generate sufficient revenue from Zenivol™;
- whether the Group is able to generate sufficient revenue from HOPE 1™ and HOPE 2™;
- whether the Group is able to generate sufficient revenue from its Oral Care range of products;
- whether the Group is able to generate sufficient revenue from its RAF FIVE™ range of products;
- whether the Group is able to successfully capitalise on their distribution agreements in both German and New Zealand;
- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

1. Statement of Significant Accounting Policies continued

Significant accounting judgments and key estimates

The preparation of half-year financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2021.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2021

In the period ended 31 December 2021, the directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and have determined there is no material impact on the Group and therefore no change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is

no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no changes are necessary to Group accounting policies.

2. Segment Reporting

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on geographic location of operations: Australia and United States of America. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half years ended 31 December 2021 and 31 December 2020.

2. Segment Reporting continued

Segment Reporting 31 December 2021			
	Australia (\$)	USA (\$)	Total (\$)
Segment revenues	28,920	698,779	727,699
Segment loss before income tax expense	(3,413,926)	(2,199,474)	(5,613,420)
Segment assets	33,437,944	8,412,920	41,850,864
Segment liabilities	(244,956)	(1,106,811)	(1,351,787)

Segment Reporting 31 December 2020			
	Australia (\$)	USA (\$)	Total (\$)
Segment revenues	5,075	85,428	90,503
Segment loss before income tax expense	(1,492,520)	(2,102,106)	(3,594,626)
Segment assets	40,653,712	2,196,613	42,850,325
Segment liabilities	(298,624)	(827,224)	(1,125,866)

3. Revenue

	Six months to 31 December 2021 (\$)	Six months to 31 December 2020 (\$)
Sale of goods	727,699	5,075
Licensing fee	-	85,428
	727,699	90,503

Disaggregation of revenue

The disaggregation of revenue from the sale of goods is as follows:

	Six months to 31 December 2021 (\$)	Six months to 31 December 2020 (\$)
Sale of Zenivol™ and Hope™ – Australia	28,920	5,075
Sale of Oralcare products – US	627,881	-
Other sales – US	70,898	85,428
	727,699	90,503

4. Other income

	Six months to 31 December 2021 (\$)	Six months to 31 December 2021 (\$)
Research and development incentive ¹	-	1,378,349
ATO Cash Boost	-	49,989
	-	1,428,338

¹ Government grants relate to the Group's research and development (R&D) activities being registered by Innovation and Science Australia for the R&D Tax Incentive. An R&D refund for the current year of \$1,292,000 was received by the Company in January 2022.

5. Inventories

	31 December 2021 (\$)	30 June 2021 (\$)
Raw materials	423,436	220,398
Work in progress	109,143	51,750
Finished goods	514,425	595,439
	1,047,004	867,587

6. Right-of-use Assets

Carrying value	
	Premises (\$)
Cost	649,540
Accumulated depreciation	(212,798)
Carrying value as at 31 December 2021	436,742
Cost	630,466
Accumulated depreciation	(151,470)
Carrying value as at 30 June 2021	478,996
Reconciliation	
31 December 2021	
Opening balance	478,996
Foreign currency differences	14,778
Depreciation expense	(57,042)
Closing balance	436,742
30 June 2021	
Opening balance	595,180
Foreign currency differences	(53,4747)
Depreciation expense	(110,051)
Closing balance	478,996

7. Intangible Assets

Carrying value				
	Trademarks (\$)	Favourable leases (\$)	Goodwill (\$)	Total (\$)
Cost	1,177,360	191,321	30,747,083	32,115,764
Accumulated amortisation	(244,650)	(79,511)	-	(324,161)
Carrying value as at 31 December 2021	932,710	111,810	30,747,083	31,791,603
Cost	1,177,360	191,321	30,747,083	32,115,764
Accumulated amortisation	(185,782)	(60,379)	-	(246,161)
Carrying value as at 30 June 2021	991,578	130,942	30,747,083	31,869,603
Reconciliation				
31 December 2021				
Opening balance	991,578	130,942	30,747,083	31,869,603
Amortisation expense	(58,868)	(19,132)	-	(78,000)
Closing balance	932,710	111,810	30,747,083	31,791,603
30 June 2021				
Opening balance	1,109,314	169,206	30,747,083	32,025,603
Amortisation expense	(117,736)	(38,264)	-	(156,000)
Closing balance	991,578	130,942	30,747,083	31,869,603

8. Lease Liabilities

Carrying value		
	31 December 2021 (\$)	30 June 2021 (\$)
Current liabilities	117,564	90,534
Non-current liabilities	416,199	450,547
	533,763	551,081

Reconciliation		Premises (\$)
31 December 2021		
Opening balance		551,081
Interest		18,827
Principal repayments		(59,107)
Foreign currency differences		22,962
Closing balance as at 31 December 2021		533,763
30 June 2021		
Opening balance		632,323
Additions		47,341
Interest		38,811
Principal repayments		(110,481)
Foreign currency differences		(56,913)
Closing balance as at 30 June 2021		551,081

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

31 December 2021	Lease payments due			Total (\$)
	< 1 year (\$)	1 – 2 years (\$)	2 – 5 years (\$)	
Lease payments	150,063	129,659	335,760	615,482
Interest	(32,499)	(25,176)	(24,044)	(81,719)
Net present value	117,564	104,483	311,716	533,763

9. Issued Capital

Ordinary shares		
	Six months to 31 December 2021 (\$)	Year to 30 June 2021 (\$)
Issued and fully paid	41,789,707	36,651,436

	Six months to 31 December 2021 (No.)	Year to 30 June 2021 (No.)	Six months to 31 December 2021 (\$)	Year to 30 June 2021 (\$)
Movements in ordinary shares on issue				
At start of period	1,190,322,966	966,298,406	36,651,436	26,075,600
Shares issued from exercise of options	11,000,000	11,000,000	343,750	343,750
Shares issued to sophisticated investors	79,908,676	213,024,560	4,794,521	10,799,376
Share issue expenses	-	-	-	(567,290)
At end of period	1,281,231,642	1,190,322,966	41,789,707	36,651,436

10. Share-Based Payments

Unlisted Options (as at Balance date)

Set out below are the summaries of options granted as share based payments during the year and previous periods:

	Number	Grant date	Expiry date	Exercise price (\$)	Fair value at grant date	Vesting date
1	2,000,000	27 September 2019	27 September 2022	\$0.12	\$0.0143	27 September 2019
2	5,000,000	11 August 2020	11 August 2023	\$0.10	\$0.0195	11 August 2020
3	5,000,000	11 August 2020	11 August 2023	\$0.15	\$0.0156	2 December 2020
4	5,000,000	11 August 2020	11 August 2023	\$0.20	\$0.0130	2 December 2020
5	5,000,000	11 August 2020	11 August 2023	\$0.28	\$0.0102	2 December 2021 subject to vesting conditions
6	5,000,000	11 August 2020	11 August 2023	\$0.30	\$0.0096	2 December 2021 subject to vesting conditions
7	4,000,000	11 September 2020	11 September 2023	\$0.10	\$0.0151	9 November 2020
8	4,000,000	11 September 2020	11 September 2023	\$0.15	\$0.0114	9 November 2021 subject to vesting conditions
9	4,000,000	11 September 2020	11 September 2023	\$0.20	\$0.0090	9 November 2021 subject to vesting conditions
10	4,000,000	11 September 2020	11 September 2023	\$0.28	\$0.0066	9 November 2022 subject to vesting conditions
11	4,000,000	11 September 2020	11 September 2023	\$0.30	\$0.0062	9 November 2022 subject to vesting conditions
12	4,000,000	20 January 2021	20 January 2024	\$0.10	\$0.0356	20 January 2021
13	4,000,000	20 January 2021	20 January 2024	\$0.15	\$0.0291	3 March 2021
14	4,000,000	20 January 2021	20 January 2024	\$0.20	\$0.0246	3 March 2021
15	4,000,000	20 January 2021	20 January 2024	\$0.28	\$0.0195	3 March 2022
16	4,000,000	20 January 2021	20 January 2024	\$0.30	\$0.0186	3 March 2022
17	3,100,000	22 October 2021	22 October 2025	\$0.10	\$0.0070	22 October 2022
18	3,100,000	22 October 2021	22 October 2025	\$0.15	\$0.0046	22 October 2023
19	3,100,000	22 October 2021	22 October 2025	\$0.20	\$0.0033	22 October 2023
20	3,100,000	22 October 2021	22 October 2025	\$0.28	\$0.0021	22 October 2024
21	3,100,000	22 October 2021	22 October 2025	\$0.30	\$0.0019	22 October 2024
22	2,000,000	22 October 2021	22 October 2025	\$0.10	\$0.0070	22 October 2022
23	5,500,000	22 October 2021	22 October 2025	\$0.15	\$0.0046	22 October 2022
24	7,500,000	22 October 2021	22 October 2025	\$0.25	\$0.0024	22 October 2023
25	7,500,000	22 October 2021	22 October 2025	\$0.30	\$0.0019	22 October 2024

10. Share-Based Payments continued

The fair value of the equity-settled options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted.

	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price (cents)	Grant date share price (cents)
1	71	1.96	3	12	7.5
2	86	0.26	3	10	6.2
3	86	0.26	3	15	6.2
4	86	0.26	3	20	6.2
5	86	0.26	3	28	6.2
6	86	0.26	3	30	6.2
7	80	0.26	3	10	5.7
8	80	0.26	3	14	5.7
9	80	0.26	3	20	5.7
10	80	0.26	3	28	5.7
11	80	0.26	3	30	5.7
12	83	0.1	3	10	9.7
13	83	0.1	3	15	9.7
14	83	0.1	3	20	9.7
15	83	0.1	3	28	9.7
16	83	0.1	3	30	9.7
17	61	0.1	4	10	4.2
18	61	0.1	4	15	4.2
19	61	0.1	4	20	4.2
20	61	0.1	4	28	4.2
21	61	0.1	4	30	4.2
22	61	0.1	4	10	4.2
23	61	0.1	4	15	4.2
24	61	0.1	4	25	4.2
25	61	0.1	4	30	4.2

On 22 October 2021, the Company announced the issue of 15,500,000 options under the Employee Share Options Plan ("ESOP") and 22,500,000 under the US ESOP. The ESOP is intended as an incentive for executives and employees to share in the ownership of Zelira.

10. Share-Based Payments continued

The ESOP options are to be issued as follows:

No. Options	Exercise Price (AUD)	Vesting Date	Expiry Date
3,100,000	\$0.10	22/10/22	22/10/25
3,100,000	\$0.15	22/10/23	22/10/25
3,100,000	\$0.20	22/10/23	22/10/25
3,100,000	\$0.28	22/10/24	22/10/25
3,100,000	\$0.30	22/10/24	22/10/25

The US ESOP options are to be issued as follows:

No. Options	Exercise Price (AUD)	Vesting Date	Expiry Date
2,000,000	\$0.10	22/10/22	22/10/25
5,500,000	\$0.15	22/10/22	22/10/25
7,500,000	\$0.25	22/10/23	22/10/25
7,500,000	\$0.30	22/10/24	22/10/25

On 16 January 2022, 7,661,667 options with an exercise price of \$0.10 expired. 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.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Performance Rights

Set out below are the summaries of performance rights granted during the year and previous periods:

	Number	Grant date	Expiry date	Fair value at grant date	Conversion milestones
Class A	18,750,000	28 November 2019	23 December 2024	\$0.0677	Converted into shares subject to the cumulative revenues from US based products exceeding US\$1,000,000 prior to 23 December 2024
Class B	18,750,000	28 November 2019	23 December 2024	\$0.0677	Converted into shares subject to the cumulative revenues from US based products exceeding US\$2,500,000 prior to 23 December 2024
Class A	12,500,000	25 September 2020	23 December 2024	\$0.076	Converted into shares subject to the cumulative revenues from US based products exceeding US\$1,000,000 prior to 23 December 2024
Class B	12,500,000	25 September 2020	23 December 2024	\$0.076	Converted into shares subject to the cumulative revenues from US based products exceeding US\$2,500,000 prior to 23 December 2024

Subsequent to the period end, on 10 January 2022, the Company notified Class A holders that the in accordance with the terms of the performance rights, the conversion milestone had been achieved.

11. Financial Instruments

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value in a recurring basis as at 31 December 2021 and 30 June 2021.

	31 December 2021 (\$)	30 June 2021 (\$)	Fair value hierarchy	Valuation techniques
Financial assets held at fair value through profit or loss				
Non-current	264	67,047	Level 2	<i>Options in CannPal</i>
				The fair values of the CannPal options are estimated using the Black and Scholes model taking into account the terms and conditions when they were granted
	264	67,047		

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. The Directors consider that the carrying amounts of current receivables, other financial assets and current payables are considered to be a reasonable approximation of their fair values.

12. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

13. Related Party Transactions

There are no related party transactions requiring disclosure since the last annual reporting date.

14. Events Subsequent to Reporting Date

On 10 January 2022, the Company received US\$250,000 of the US\$1 million upfront, non-refundable, non-contingent license fee signed with DRCN Holdings for Zelira's EDCM technology. The balance is expected to be paid in the first quarter of 2022.

On 12 January 2022, the Company received a \$1,292,000 cash refund under the Australian Federal Government's R&D Tax Incentive Scheme.

On 13 January 2022, the Company held its Annual General Meeting. The Company was pleased to advise all resolutions were passed by a poll.

On 31 January 2022, the Company appointed Mr Tim Slate as Non-Executive Director. On the same date Mr Jason Peterson resigned as Non-Executive Director.

On 3 February 2022, the Company issued 372,840,936 Shares to Class A Performance Right holders following the conversion of Performance Rights pursuant to the satisfaction of the Class A Performance Right milestone as announced on 10 January 2022.

DIRECTORS DECLARATION

In the opinion of the directors of Zelira Therapeutics Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s303(5) of the *Corporations Act 2001*.



Oludare Odumosu

Managing Director

23 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Zelira Therapeutics Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Zelira Therapeutics Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Zelira Therapeutics Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern (if applicable, refer ASA 570)

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
23 February 2022



B G McVeigh
Partner

Corporate Directory

CHAIRMAN

Osagie Imasogie

MANAGING DIRECTOR

Oludare Odumosu

NON-EXECUTIVE DIRECTORS

Harry Karelis (Deputy Chair)

Tim Slate

Lisa Gray

COMPANY SECRETARY

Tim Slate

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Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: ZLD

USA

OTCQB

Code: ZLDAF





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