

# Appendix 4D

## 1. Company Details

Name of Entity

Zelira Therapeutics Limited (formerly Zelda Therapeutics Limited)		
ABN	Half year ended ("current period")	Half year ended ("previous period")
27 103 782 378	31 December 2019	31 December 2018

## 2. Results for announcement to the market

			AUD \$
2.1 Revenues from ordinary activities	Down	72% to	13,210
2.2 Profit / (loss) from ordinary activities after tax attributable to members - 31 December 2018: loss of (\$2,063,058)	Up	24% to	(2,575,159)
2.3 Net profit / (loss) for the period attributable to members - 31 December 2018: loss of (\$2,063,058)	Up	24% to	(2,575,159)
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			
During the period to 31 December 2019, the Company continued to increase expenditure in research and consultancy to develop a range of cannabinoid-based formulations for the treatment of a variety of medical conditions.			

## 3. Net tangible assets per security

	31 December 2019	31 December 2018
Net tangible asset backing per ordinary security	0.003	0.01

## 4. Details of entities over which control has been gained or lost

### 4.1. Control gained over entities

During the period, the Company acquired Ilera Therapeutics LLC, a privately held medicinal cannabis and cannabinoid science company based in the United States. The acquisition was accounted for under AASB 3, *Business Combinations*. Refer to Note 9 in the Half Year Financial Report for further details.

#### 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
<b>Interim dividend:</b>				
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

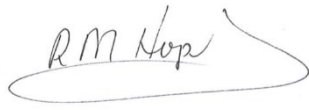
N/A

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

N/A

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Sign here:

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Date: 28 February 2020

Managing Director

Print Name: Richard Hopkins

**Zelira Therapeutics Limited**  
(formerly Zelda Therapeutics Limited)  
ABN 27 103 782 378

**Half-Year Financial Report**  
**31 December 2019**

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***CORPORATE DIRECTORY***

***CHAIRMAN***

Osagie Imasogie

***MANAGING DIRECTORS***

Dr Richard Hopkins (excluding USA)

Oludare Odumosu (USA)

***NON-EXECUTIVE DIRECTORS***

Harry Karelis (Deputy Chair)

Jason Peterson

Lisa Gray

***COMPANY SECRETARY***

Tim Slate

***PRINCIPAL & REGISTERED OFFICE***

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***AUDITORS***

HLB Mann Judd

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***SHARE REGISTER***

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

PERTH WA 6000

Telephone: (08) 08 9323 2000

Facsimile: (08) 9323 2033

***SECURITIES EXCHANGE LISTING***

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: ZLD

USA

OTCQB

Code: ZLDAF

## DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2019. 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 (appointed 2 December 2019)
Harry Karelis	Deputy Chairman
Richard Hopkins	Managing Director (excluding USA)
Oludare Odumosu	Managing Director (USA) (appointed 2 December 2019)
Jason Peterson	Non-Executive Director
Lisa Gray	Non-Executive Director (appointed 2 December 2019)
Stewart Washer	Non-Executive Director (resigned 2 December 2019)
Mara Gordon	Non-Executive Director (resigned 2 December 2019)

### Review of Operations

During the period ended 31 December 2019, Zelira reported a net loss after tax attributable to the members of Zelira Therapeutics Limited of \$2,575,159 (31 December 2018: \$2,063,058).

### Business performance

In October 2019, Zelda announced its intention to merge with Ilera Healthcare, a privately held medicinal cannabis company based in the United States through an all-scrip transaction. At the Company's Annual General Meeting, held in November 2019, shareholders voted overwhelmingly to support the transaction and to rename the company Zelira Therapeutics.

The merger has created a leading medicinal cannabis biotechnology company with a global footprint, an extensive development pipeline coupled with revenue generating products and access to global markets. Zelira's strategic focus on the 'last mile to the patient' maximises investor returns while minimising capital requirements as it pivots towards revenues and, longer term, profitability. Zelira's disruptive '*launch, learn and develop*' model will be deployed to rapidly commercialise products targeting large addressable markets such as pain, sleep and anxiety.

### Global 'Launch, Learn & Develop Strategy' for the HOPE™ Range of Products.

HOPE™ is a family of revenue generating medicinal cannabis formulations initially developed by Ilera Therapeutics and now owned by Zelira Therapeutics. HOPE™ consists of two proprietary medicinal cannabis formulations developed as pharmaceutical-grade products to address symptoms of Autism Spectrum Disorder.

Post-merger, Zelira has commenced the process of launching HOPE™ into global markets, with the aim of generating revenues in the first half of 2020.

In December 2019, Zelira announced its maiden post-merger licensing transaction and inaugural revenues in the United States when it entered into an agreement with Advanced Biomedics to license HOPE™ into Louisiana, a State with approximately 5 million residents. The agreement includes an upfront payment, that was paid in Q1 2020, and ongoing royalties on sales, which are expected to commence from mid-2020. Zelira expects to announce multiple licensing deals in 2020 as it continues to roll-out HOPE™ in other US-states.

In ex-US markets, Zelira will leverage its existing network of suppliers and distributors to launch HOPE™ by mid-2020, commencing with Australia.

## **DIRECTORS' REPORT continued**

### **Partnership with Emerald Clinics**

In July 2019, Zelira announced it had entered into a strategic partnership with Australia-based healthcare technology and services company Emerald Clinics Ltd which owns and operates an Australian network of dedicated medicinal cannabis clinics.

Under the terms of the agreement Emerald will provide access to de-identified real-world longitudinal data collected from patients prescribed cannabis medicines for treatment of pain and/or insomnia. Data will include details regarding cannabis formulations and dosages prescribed to patients, their responses to treatment and the impact on usage of non-cannabis medicines such as opioids.

This information will inform Zelira's ongoing clinical trial strategy, which is focussed on developing new cannabis-based treatments to reduce opioid usage in patients with chronic pain as well as patients with insomnia and autism.

### **Zelira Therapeutics cannabis formulations to be supplied to the CARE NSW clinical trial for symptom control in cancer patients**

Zelira was pleased to announce it has entered into an agreement with the National Health and Medical Research Council (NHMRC)-funded Australian Centre for Clinical Cannabinoid Research Excellence (ACRE), based at the University of Newcastle, to commercially supply a cannabis oil formulation, where prescribed, for participants in the Cannabinoids for Symptom Control in Advanced Cancer, An Open Label Prospective Clinical Trial in NSW (CARE NSW).

The CARE NSW Clinical Trial is seeking to enrol up to 600 advanced cancer patients who will be prescribed a product selected from a range of cannabis medicines for symptom management. Zelira is one of several suppliers selected to supply investigation product for the trial under a commercial contract.

### **Clinical Trial Updates**

#### **Insomnia Clinical Trial (Perth, Australia).**

The Zelira insomnia trial was designed to evaluate the safety and efficacy of a cannabinoid extract containing THC and CBD in patients with symptoms of clinically diagnosed chronic insomnia. This trial is the first in the world to have a primary endpoint assessing the impact of a full-spectrum cannabis extract on sleep.

A randomised, double-blinded, placebo controlled, cross over study design was used to treat 24 patients with Zelira's proprietary insomnia formulation and a placebo formulation delivered sublingually. The medicine for the trial has been manufactured to pharmaceutical grade GMP standards by a Europe-based speciality manufacturer.

During the quarter, Zelira was pleased to advise the trial was fully enrolled and the last patient had completed dosing by December 2019. No serious adverse events were reported. On 19 February 2020, the company announced demonstrated statistically significant improvement in Insomnia Severity Index scores compared to placebo.

#### **Opioid Reduction Study (Melbourne, Australia)**

In collaboration with St Vincent's Hospital in Melbourne, Zelira is undertaking a study to assess the safety and effectiveness of medicinal cannabis to reduce opioid dependence.

In early July 2019, Zelira commenced recruiting for a Phase I pharmacokinetic trial to evaluate the safety and tolerability of whole plant extract following single and repeated doses in nine patients with chronic non-cancer pain on long-term opioid analgesia. Secondary outcomes include pharmacokinetics and the effects on pain, mood, sleep and opioid use over the duration of the trial.

The Phase I trial has commenced recruitment with a number of patients having started and completed dosing. No serious adverse events have been reported to date. The trial is on-track to complete recruitment and patient dosing by Q1 2020.



## **DIRECTORS' REPORT continued**

### **Autism Observational Study (Philadelphia, USA)**

In July 2018, Zelira commenced announced that recruitment had commenced for observational autism study in collaboration with Children's Hospital of Philadelphia (CHOP). This trial aims to better understand the efficacy of medicinal cannabis treatment in patients diagnosed with autism.

The study combines a number of key efficacy and safety measures, including the impact of medicinal cannabis on clinical pharmacological and behavioural data.

The study has completed recruitment of 119 patients and is now undertaking a detailed statistical analysis of the data.

### **About the business**

Zelira Therapeutics Ltd is a leading global therapeutic medicinal cannabis company with access to the world's largest and fastest growing cannabis markets. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to enter global markets from 2020. The company is focused on developing branded cannabis products for the treatment of a variety of medical conditions.

The Company is undertaking:

- Human clinical trial programs focused on insomnia, autism and opioid reduction with activities in Australia and the USA; and
- Pre-clinical research examining the effect of cannabinoids in breast, brain and pancreatic cancer as well as research examining the potential for cannabinoids to treat diabetes-associated cognitive decline.

The Company conducts this work in partnership with world-leading researchers and organizations including Complutense University in Madrid, Spain; Curtin University in Perth, Western Australia; the Telethon Kids Institute in Perth; the University of Western Australia, in Perth; and St. Vincent's Hospital in Melbourne, Australia.

Zelira has also formed a strategic partnership with European medicinal cannabis group HAPA Pharm BV, to access HAPA Pharm's EU-GMP grade manufacturing capabilities and accessing its German distribution network providing a credible and rapid path to commercialization for successful clinically validated formulations.

The Company has developed two proprietary formulations (HOPE™) already launched and generating revenues in Pennsylvania, has laboratory capabilities to develop formulations in Pennsylvania and Louisiana with ability to conduct clinical trials and is establishing a national footprint across the US for the licensing of its products.

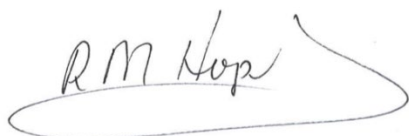
### **Cash flow**

The Group's cash at bank was \$1,194,726 at 31 December 2019.

### **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 7 and forms part of this directors' report for the half-year ended 31 December 2019.

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*.

A handwritten signature in blue ink, appearing to read 'R M Hopkins', enclosed within a large, loopy oval shape.

Richard Hopkins  
Managing Director  
28 February 2020



## 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 2019, 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  
28 February 2020

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

**B G McVeigh**  
Partner

**hlb.com.au**

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**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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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  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Notes	31 December 2019 \$	31 December 2018 \$
<b>Continuing operations</b>			
Interest income		13,210	47,714
Other income	3	983,576	-
Compliance and regulatory expenses		(134,167)	(85,936)
Consultants and professional fees		(861,503)	(127,446)
Administration expenses		(53,196)	(114,666)
Directors' fees		(365,507)	(226,530)
Travel and accommodation expense		(156,501)	(50,607)
Share based payments	7	(176,691)	(121,663)
Research consultancy fees		(1,589,960)	(1,178,786)
Changes in fair value of financial assets at fair value through profit and loss	8	(137,736)	(202,159)
Other expenses		(96,684)	(2,979)
<b>Loss before income tax expense</b>		<b>(2,575,159)</b>	<b>(2,063,058)</b>
Income tax expense		-	-
<b>Net loss for the period</b>		<b>(2,575,159)</b>	<b>(2,063,058)</b>
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the period, net of tax</b>		-	-
<b>Total comprehensive loss for the period</b>		<b>(2,575,159)</b>	<b>(2,063,058)</b>
<b>Total comprehensive income attributable to owners of the parent</b>		<b>(2,575,159)</b>	<b>(2,063,058)</b>
Basic loss per share (cents per share)		<b>(0.34)</b>	<b>(0.27)</b>
Diluted loss per share (cents per share)		N/A	N/A

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Notes	31 December 2019 \$	30 June 2019 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,194,726	3,073,125
Trade and other receivables		274,402	51,455
<b>Total Current Assets</b>		<b>1,469,128</b>	<b>3,124,580</b>
<b>Non-Current Assets</b>			
Financial assets held at fair value	8	210,680	348,416
Right-of-use Assets	4	21,365	-
Other financial assets		9,322	9,180
Property, plant and equipment	9	1,103,533	33,022
Intangible assets	10	32,115,764	-
<b>Total Non-Current Assets</b>		<b>33,460,664</b>	<b>390,618</b>
<b>Total Assets</b>		<b>34,929,792</b>	<b>3,515,198</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		638,414	407,235
Lease liabilities	5	23,081	-
<b>Total Current Liabilities</b>		<b>661,495</b>	<b>407,235</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	5	1,861	-
<b>Total Non-Current Liabilities</b>		<b>1,861</b>	<b>-</b>
<b>Total Liabilities</b>		<b>663,356</b>	<b>407,235</b>
<b>Net Assets</b>		<b>34,266,436</b>	<b>3,107,963</b>
<b>Equity</b>			
Issued capital	6	21,689,514	13,823,411
Reserves		26,836,912	964,822
Accumulated losses		(14,259,990)	(11,680,270)
<b>Total Equity</b>		<b>34,266,436</b>	<b>3,107,963</b>

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Reserve \$	Performance Rights Reserve \$	Share Based Payments Reserve \$	Total Equity \$
<b>Balance at 1 July 2018</b>	<b>13,823,411</b>	<b>(8,111,649)</b>	-	-	<b>502,629</b>	<b>6,214,391</b>
Loss for the period	-	(2,063,058)	-	-	-	(2,063,058)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	<b>(2,063,058)</b>	-	-	-	<b>(2,063,058)</b>
Share-based payments	-	-	-	-	121,663	121,663
<b>Balance at 31 December 2018</b>	<b>13,823,411</b>	<b>(10,174,707)</b>	-	-	<b>624,292</b>	<b>4,272,996</b>
<b>Balance at 1 July 2019</b>	<b>13,823,411</b>	<b>(11,680,270)</b>	-	-	<b>964,822</b>	<b>3,107,963</b>
Adjustment on initial application of new accounting standards	-	(4,561)	-	-	-	(4,561)
Loss for the period	-	(2,575,159)	-	-	-	(2,575,159)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	<b>(2,579,720)</b>	-	-	-	<b>(2,579,720)</b>
Shares issued during the period	102,000	-	-	-	-	102,000
Acquisition of Ilera Therapeutics	7,701,603	-	(84,532)	25,776,181	-	33,393,252
Issue of performance rights to Directors	-	-	-	39,173	-	39,173
Share-based payments	-	-	-	-	141,268	141,268
Share options exercised	62,500	-	-	-	-	62,500
<b>Balance at 31 December 2019</b>	<b>21,689,514</b>	<b>(14,259,990)</b>	<b>(84,532)</b>	<b>25,815,354</b>	<b>1,106,090</b>	<b>34,266,436</b>

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Notes	31 December 2019	31 December 2018
		\$	\$
		Inflows/(Outflows)	
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,289,623)	(524,537)
Payments for research		(1,843,406)	(810,315)
Interest received		19,835	59,527
Net cash used in operating activities		(3,113,194)	(1,275,325)
<b>Cash flows from investing activities</b>			
Cash acquired as part of acquisition	9	189,781	-
Research and development incentive		981,776	-
Net cash from investing activities		1,171,557	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of options		62,500	-
Net cash from financing activities		62,500	-
Net (decrease) / increase in cash held		(1,879,137)	(1,275,325)
Effect of exchange rate fluctuations on cash held		738	-
Cash and cash equivalents at the beginning of the period		3,073,125	5,685,725
<b>Cash and cash equivalents at the end of the period</b>		<b>1,194,726</b>	<b>4,410,400</b>

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 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 2019 and any public announcements made by Zelira Therapeutics Limited (formerly Zelda 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 28 February 2020.

#### 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.

#### Going Concern

The Company incurred a loss of \$2,575,159 for the period ended 31 December 2019 and a net cash outflow from operating activities amounting to \$3,113,194. These conditions indicate the existence of inherent uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Subsequent to the end of the reporting period, on 19 February 2020, the Company announced that it had issued 91,855,182 fully paid ordinary shares at a price of A\$0.05 to Australian and International investors raising \$4,592,759 before costs.

The ability of the entity to continue as a going concern is dependent on Zelira successfully commercializing its medicinal cannabis formulas targeting large addressable markets such as pain, sleep and anxiety or securing 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 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 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.

#### 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 2019, with the exception of Intangibles, Goodwill and Business Combinations as described below.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

#### Intangible Assets

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

##### *Impairment of tangible and intangible assets other than goodwill*

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

#### Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

### Adoption of new and revised Accounting Standards

#### *Standards and Interpretations applicable to 31 December 2019*

In the half-year ended 31 December 2019, the directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2019. Those which have a material impact on the Group are set out below.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

#### AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 14. Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

#### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ending 31 December 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to Group accounting policies.

### NOTE 2: SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

During the half-year ended 31 December 2019, the Group only operated in one segment, being conducting research with medicinal cannabis.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a group basis.

### NOTE 3: OTHER INCOME

	Six months to 31 December 2019 \$	Six months to 31 December 2018 \$
Research and development incentive <sup>1</sup>	983,576	-
	<u>983,576</u>	<u>-</u>

- 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. The R&D refund was received by the Company in November 2019.

### NOTE 4: RIGHT-OF-USE ASSETS

<i>Carrying value</i>	Total \$
Cost	39,444
Accumulated depreciation	(16,346)
Carrying value as at 31 December 2019	<u>21,365</u>
<i>Reconciliation</i>	Total \$
Recognised on 1 July 2019 on adoption of AASB 16	31,226
Depreciation expense	(9,861)
Carrying value as at 31 December 2019	<u>21,365</u>

AASB 16 has been adopted during the period, refer note 14 for details.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 5: LEASE LIABILITIES

<i>Carrying value</i>	\$
Current liabilities	23,081
Non-current liabilities	1,861
	<u>24,942</u>

<i>Reconciliation</i>	Premises \$
Recognised on 1 July 2019 on adoption of AASB 16	35,786
Interest	1,026
Principal repayments	(11,870)
Closing balance as at 31 December 2019	<u>24,942</u>

AASB 16 has been adopted during the period, refer note 14 for details.

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

<i>31 December 2019</i>	Lease payments due		
	< 1 year	1 – 2 years	Total
	\$	\$	\$
Lease payments	23,958	2,000	25,958
Interest	(876)	(140)	(1,016)
Net present value	<u>23,082</u>	<u>1,860</u>	<u>24,942</u>

### NOTE 6: ISSUED CAPITAL

<i>Ordinary shares</i>	Six months to 31 December 2019 \$	Year to 30 June 2019 \$
Issued and fully paid	<u>21,689,514</u>	<u>13,823,411</u>

	Six months to 31 December 2019 No.	Year to 30 June 2019 No.	Six months to 31 December 2019 \$	Year to 30 June 2019 \$
<i>Movements in ordinary shares on issue</i>				
At start of period	755,341,934	755,341,934	13,823,411	13,823,411
Acquisition of Ilera Therapeutics	-	-	7,690,603	-
Shares issued from exercise of options	2,000,000	-	62,500	-
Shares issued to consultant	1,500,000	-	102,000	-
Foreign exchange conversion	-	-	11,000	-
At end of period	<u>758,841,934</u>	<u>755,341,934</u>	<u>21,689,514</u>	<u>13,823,411</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 6: ISSUED CAPITAL continued

As described in Note 8 below, on 8 October 2019, the Company executed a Membership Interest Purchase Agreement (MIPA) with Ilera Therapeutics LLC (Ilera Therapeutics), the conditions precedent of which were satisfied or waived on 2 December 2019. Following the satisfaction of the conditions precedent, the acquisition was completed on 2 December 2019 and the consideration of the acquisition has been recognised at this date. The consideration shares were issued on 2 January 2020 in accordance with the final terms of the acquisition.

### NOTE 7: 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:

Series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
1	38,000,000	18 November 2016	17 November 2021	\$0.03125	\$0.0152	18 November 2016
2	1,500,000	6 February 2017	6 February 2020	\$0.04	\$0.0153	6 February 2017
3	4,500,000	6 February 2017	6 February 2020	\$0.04	\$0.0133	6 February 2019
4	1,000,000	22 August 2018	22 August 2021	\$0.125	\$0.0192	22 August 2018
5	2,000,000	22 August 2018	22 August 2021	\$0.125	\$0.0192	22 August 2020
6*	2,096,667	15 January 2019	16 January 2022	\$0.10	\$0.0158	15 January 2019
7	3,000,000	15 January 2019	16 January 2022	\$0.10	\$0.0158	3 September 2020 subject to vesting conditions
8	1,500,000	8 January 2019	16 January 2022	\$0.10	\$0.0181	21 April 2019
9	1,500,000	8 January 2019	16 January 2022	\$0.10	\$0.0181	21 April 2020 subject to vesting conditions
10	1,500,000	8 January 2019	16 January 2022	\$0.10	\$0.0181	21 April 2021 subject to vesting conditions
11	5,000,000	19 February 2019	19 February 2022	\$0.10	\$0.0130	19 February 2019
12	5,000,000	19 February 2019	19 February 2022	\$0.15	\$0.0091	16 October 2019 subject to vesting conditions
13	5,000,000	19 February 2019	19 February 2022	\$0.20	\$0.0067	16 October 2019 subject to vesting conditions
14	5,000,000	19 February 2019	19 February 2022	\$0.28	\$0.0044	16 October 2020 subject to vesting conditions
15	5,000,000	19 February 2019	19 February 2022	\$0.30	\$0.0041	16 October 2020 subject to vesting conditions
16	2,000,000	27 September 2019	27 September 2022	\$0.12	\$0.0143	27 September 2019

- On 2 September 2019, 2,103,333 unlisted options were cancelled under an Employee Share Option Plan (ESOP) as vesting conditions were not met.

The following share options were exercised during the half year:

Number exercised	Date exercised	Share-price at exercise date
2,000,000	19 July 2019	\$0.072

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 7: SHARE-BASED PAYMENTS continued

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Expected volatility (%)	137	122	122	81	81	76	76	76	76	76	69	69	69	69	69	71
Risk-free interest rate (%)	2.18	2.18	2.18	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.96
Expected life of option (years)	5	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Exercise price (cents)	3.12	4	4	12.5	12.5	10	10	10	10	10	10	15	20	28	30	12
Grant date share price (cents)	2.5	3	3	7.1	7.1	6.1	6.1	6.6	6.6	6.6	5.9	5.9	5.9	5.9	5.9	7.5

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:

	Number	Grant date	Expiry date	Fair value at grant date	Conversion milestones
Class A	18,750,000	28 November 2019	28 November 2024	\$0.0677	Converted into shares subject to the cumulative revenues from US based products exceeding US\$1,000,000 within 3 years from the grant date
Class B	18,750,000	28 November 2019	28 November 2024	\$0.0677	Converted into shares subject to the cumulative revenues from US based products exceeding US\$2,500,000 within 3 years from the grant date

### NOTE 8: 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 2019 and 30 June 2019.

	31 December 2019	30 June 2019	Fair value hierarchy	Valuation techniques
<i>Financial assets held at fair value through profit or loss</i>	\$	\$		
Non-current	210,680	348,416	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
	210,680	348,146		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 9: ACQUISITION OF SUBSIDIARY

#### *Acquisition*

On 8 October 2019, the Company executed a Membership Interest Purchase Agreement (MIPA) with Ilera Therapeutics LLC (Ilera Therapeutics), a privately held medicinal cannabis and cannabinoid science company based in the United States. The Conditions precedent of the MIPA were satisfied or waived on 2 December 2019.

#### *Consideration transferred*

The consideration paid to Ilera Therapeutics shareholders for the acquisition of their respective shares is:

- (a) 113,601,290 fully paid ordinary shares in the Company; and
- (b) 362,620,322 Class A Performance Rights; and
- (c) 362,620,322 Class B Performance Rights,  
to be issued pro rata between the Ilera Therapeutics shareholders

The Class A Performance Rights and Class B Performance Rights will convert into share upon the achievement of the following milestone.

#### Conversion of the Class A Performance Rights

- (a) (Milestone) A Performance Right will be able to be converted into a Share by a Holder subject to satisfaction of the following milestone:
  - (i) the cumulative revenues from the date of issue of the Performance Rights received by the Company or its subsidiaries from US-based product sales exceeds US\$1,000,000.
  - (ii) If the Milestone is not achieved by the third anniversary of the Settlement or the Conversion Notice not given to Purchaser by the required date, then the relevant Performance Right will automatically lapse.

#### Conversion of the Class B Performance Rights

- (b) (Milestone) A Performance Right will be able to be converted into a Share by a Holder subject to satisfaction of the following milestone:
  - (i) the cumulative revenues from the date of issue of the Performance Rights received by the Company or its subsidiaries from US-based product sales exceeds US\$2,500,000
  - (ii) If the Milestone is not achieved by the third anniversary of the Settlement or the Conversion Notice not given to Purchaser by the required date, then the relevant Performance Right will automatically lapse.

The Board have assessed the likelihood that each performance hurdle will be achieved. The Board considers the likelihood that Class A Performance Rights hurdles are achieved to be approximately 95%, furthermore the Board considers the likelihood that Class B Performance Rights hurdles are achieved to be approximately 10%.

	Issued	Share price at 2 December 2019	Likelihood	Total \$
Fully paid ordinary shares	113,601,290	\$0.068	N/A	7,690,603
Class A Performance Rights	362,620,322	\$0.068	95%	23,321,306
Class B Performance Rights	362,620,322	\$0.068	10%	2,454,874
<b>Total</b>	<b>838,841,934</b>			<b>33,466,783</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 9: ACQUISITION OF SUBSIDIARY continued

#### *Assets acquired and liabilities assumed at the date of acquisition*

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Ilera Therapeutics based upon the best information available as of the reporting date.

Provisional business combination accounting is as follows:

	Acquiree's carrying amount before business combination	Fair value adjustment	Fair value
	\$	\$	\$
Cash and cash equivalents	189,781	-	189,781
Trade and other receivables	258,352	-	258,352
Property, plant and equipment	183,963	919,813	1,103,776
Intangibles	-	1,368,681	1,368,681
Trade payables	(200,890)	-	(200,890)
Provisional fair value of identifiable net assets			2,719,700
Goodwill arising on acquisition			30,747,083
Total consideration			33,466,783

The initial accounting for the acquisition of Ilera Therapeutics has only been provisionally determined at the end of the reporting period. At the date of finalisation the potential associated deferred tax liabilities relating to the acquisition above have only been provisionally determined based on the Directors' best estimate.

#### *Goodwill arising on acquisition*

	Total \$
Consideration transferred	33,466,783
Less: fair value of identifiable net assets acquired	(2,719,700)
Goodwill arising on acquisition	30,747,083

Goodwill arose in the acquisition of Ilera Therapeutics because the acquisition includes the following:

- a pipeline of formulations and proprietary platform technologies being developed for specific therapeutic conditions and products;
- a licensing strategy to access the large and growing USA market for medicinal cannabis; and
- direct access to the USA, the world's largest medicinal cannabis market with over four million registered patients

These assets could not be separately recognised from goodwill because they are not capable of being separated from the company, and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

#### *Net cash outflow arising on acquisition*

	Total \$
Cash paid	-
Less: Net cash acquired with the subsidiary	189,781
Net cash outflow	189,781

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 10: INTANGIBLES

	Trademarks \$	Favourable Leases \$	Goodwill \$	Total \$
Opening balance	-	-	-	-
Acquisition of Ilera Therapeutics, refer note 9	1,177,360	191,321	30,747,083	32,115,764
Closing balance	1,177,360	191,321	30,747,083	32,115,764

### NOTE 11: CONTINGENT LIABILITIES

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

### NOTE 12: RELATED PARTY TRANSACTIONS

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

### NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

On 2 January 2020, the Company issued 113,601,290 fully paid ordinary shares at a deemed issue price of \$0.055 per share pursuant to the Ilera acquisition as described in note 8.

On 19 February 2020, the Company announced that it had issued 91,855,182 fully paid ordinary shares at a price of A\$0.05 to Australian and International investors raising \$4,592,759 before costs. The funds are to be used to accelerate the Company's plans to launch multiple products into global markets in 2020 and to advance its clinical programmes, including its Insomnia and Opioid Sparing trials.

### NOTE 14: NEW STANDARDS ADOPTED

#### AASB 16 Leases

##### *Change in accounting policy*

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

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is an initial impact on retained earnings and comparatives have not been restated.

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

### NOTE 14: NEW STANDARDS ADOPTED continued

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

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

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

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

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

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

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

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

#### *Impact on adoption of AASB 16*

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 7%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019. In the Condensed Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

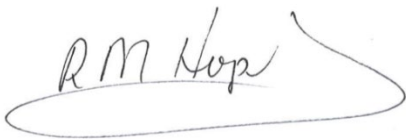
The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$31,226 and lease liabilities of \$35,786 in respect of all operating leases, other than short-term leases and leases of low-value assets. The net impact on retained earnings on 1 July 2019 was \$4,561.

## **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 Company's financial position as at 31 December 2019 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 s.303(5) of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'R M Hopkins', is written over a faint, horizontal oval line.

Richard Hopkins  
Managing Director  
28 February 2020



## **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 2019, 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 notes, and the directors' declaration, for the Group 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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 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*.

#### *Emphasis of matter - material uncertainty related to going concern*

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.

#### *Directors' responsibility for the half-year financial report*

The directors of the company 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.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, 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 Group's financial position as at 31 December 2019 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**hlb.com.au**

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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**  
**28 February 2020**

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

**B G McVeigh**  
**Partner**