Exopharm Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Exopharm Limited
ABN:	78 163 765 991
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	88.4%	to	7,049
Loss from ordinary activities after tax attributable to the owners of Exopharm Limited	up	60.4%	to	(8,468,046)
Loss for the year attributable to the owners of Exopharm Limited	up	60.4%	to	(8,468,046)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to $8,468,046 (30 June 2020: $5,278,803).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	10.94	3.90

4. Control gained over entities

Name of entities (or group of entities)	ExoSuisse GmbH
Date control gained	04 March 2021

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Exopharm Limited for the year ended 30 June 2021 is attached.

12. Signed

Signed _____ Date: 30 August 2021

Ian Dixon
CEO and Managing Director
Melbourne

exopharm

Annual Report 2021

ABN 78 163 765 991

Directors
Mr Jason M Watson
Dr Ian E Dixon
Mr David R Parker
(Resigned on 5 January 2021)
Ms Elizabeth M McGregor
(Appointed on 5 January 2021)

Company secretaries
Ms Sinead Teague
(Resigned on 5 January 2021)
Ms Elizabeth M McGregor
(Appointed on 5 January 2021)

Registered office
C/o Bio101 Financial Advisory Pty Ltd
Suite 201 697 Burke Road
Camberwell VIC 3124

Principal place of business
Level 17, 31 Queen Street
Melbourne VIC 3000
Telephone: (03) 9111 0026
Email: info@exopharm.com

Share register
Automic Registry Services Pty Ltd
Level 5, 126 Philip Street
Sydney NSW 2010
Telephone: 1300 288 664
Email: hello@automic.com.au

Auditor
William Buck
Level 20, 181 William Street
Melbourne VIC 3000

Solicitors
Quinert Rodda & Associates
Level 6, 400 Collins Street
Melbourne VIC 3000

Stock exchange listing
Exopharm Limited shares are listed on the Australian Securities Exchange (ASX code: EX1)

Exopharm 2021 Annual Report

Contents

Highlights for FY2021

Clinical trial demonstrated the safety of Exopharm's manufacturing process and exosomes purified using LEAP technology

Successfully demonstrated LOAD and EVPS technologies in house, and **launched a preclinical pipeline** of customised exosome medicines

IP portfolio advanced through filing of **two new patents**, and granting of patents for core LEAP (Russia) and EVPS (United States) technologies

A$22 million raised from sophisticated and institutional investors

Exosome Medicines Can Have Broad Application to Solve Many Medical Problems

Orphan indications/ genetic conditions (eg. cystic fibrosis)

Infectious disease (viral, bacterial, parasite)

Cancers/oncology

Psychiatric & pain

CNS/neurological

Disability (hearing, taste, mobility)

Cardiovascular

Immune conditions (eg. GvHD, TID, transplant rejection, IBD)

Exopharm Snapshot

1 Exopharm is a **clinical-stage company** at the forefront of developing transformative exosome medicines.

2 Exopharm is a **pioneer in the exosome field** and will continue to stay in front of its competitors.

3 We are well-placed for growth as part of the **US$175 billion p.a.** global market for drug delivery systems.[1]

4 Exosomes are seen by biopharma companies as a new and differentiated means of drug delivery ideally suited to delivering nucleic acid medicines like **RNA and gene therapies** – an emerging class of medicines growing at CAGR of 33.3% (global market value US$7.23 billion in 2024).[2]

5 The Company's **LEAP technology** sets Exopharm apart in the industry for purifying clinical-grade exosomes economically and at scale.

6 Exopharm's exclusive proprietary **LOAD and EVPS technologies** enable the modification of exosomes to carry medical cargo to specific cell types, making Exopharm one of just a handful of companies with these capabilities.

7 Exopharm is building a **pipeline of revenue** from partnering its exosome technologies, and from designing and developing its own novel exosome medicines.

[1] https://formulations.pharmaceuticalconferences.com
[2] https://www.globenewswire.com/news-release/2020/10/20/2110809/0/en/Global-7-23-Bn-Nucleic-Acid-Therapeutics-Oligonucleotide-Markets-2020-2024-Insights-Forecast-with-Potential-Impact-of-COVID-19.html

This technology and these scientists have the potential to change the lives of people around the world.

Dr Chris Baldwin
Deputy CEO/Chief Commercial Officer

Exopharm Ltd Overview

Delivering Transformative Medicines

Australian clinical-stage company at the forefront of developing transformative medicines based upon exosomes (extracellular vesicles, EVs)

Over 40 staff based in Melbourne, Australia; 1 based in Europe

Publicly traded on the ASX (ASX:EX1) (listed Dec 2018)

A platform technology company with application to many exosome medicines - using our exclusive LEAP, LOAD and EVPS technologies

Exopharm for Investors

Exosomes are becoming important for drug delivery

Exosomes are increasingly recognised as a **superior drug delivery system**, with the potential to overcome the delivery challenge that impedes clinical translation for many therapeutics, including emerging nucleic acid and protein medicines.

Significant deals are being done

Interest in the exosome field is accelerating globally and **substantial deals have been executed** in the past 36 months for preclinical exosome medicine candidates with upfront cash payments of upwards of A$80 million.

Exopharm has the technologies and capabilities partners are looking for

Exopharm is one of a handful of companies in the world with the technology and know-how to **customise exosomes** for improved targeted drug delivery. It is one of only two publicly listed pure-play exosome companies.

Exopharm has **full exclusivity** over its core exosome technologies (LEAP, LOAD, EVPS).

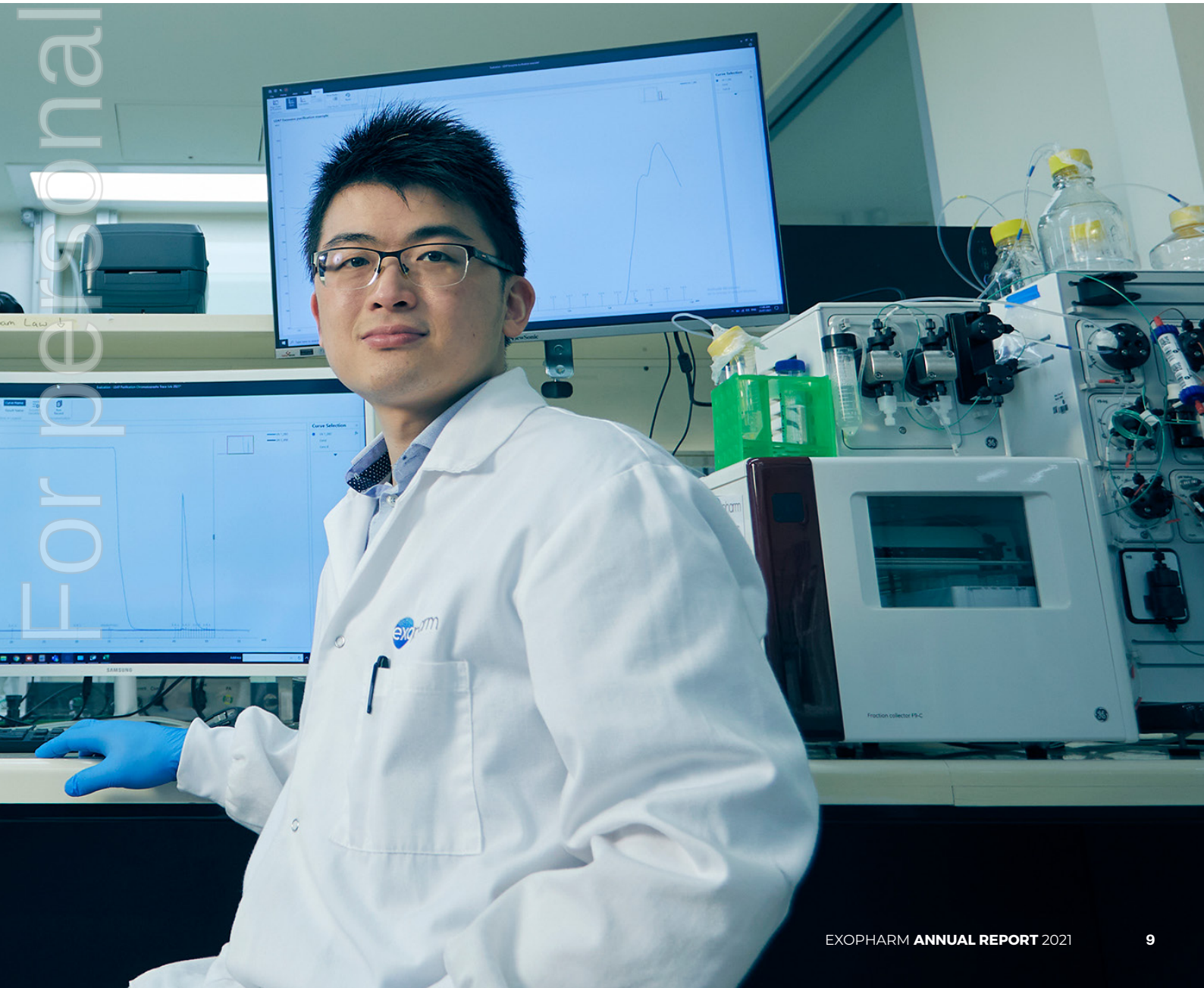
Exopharm's scientists have demonstrated the Company's **clinical manufacturing capabilities** and are producing the data needed to build value in its exosome medicine assets.

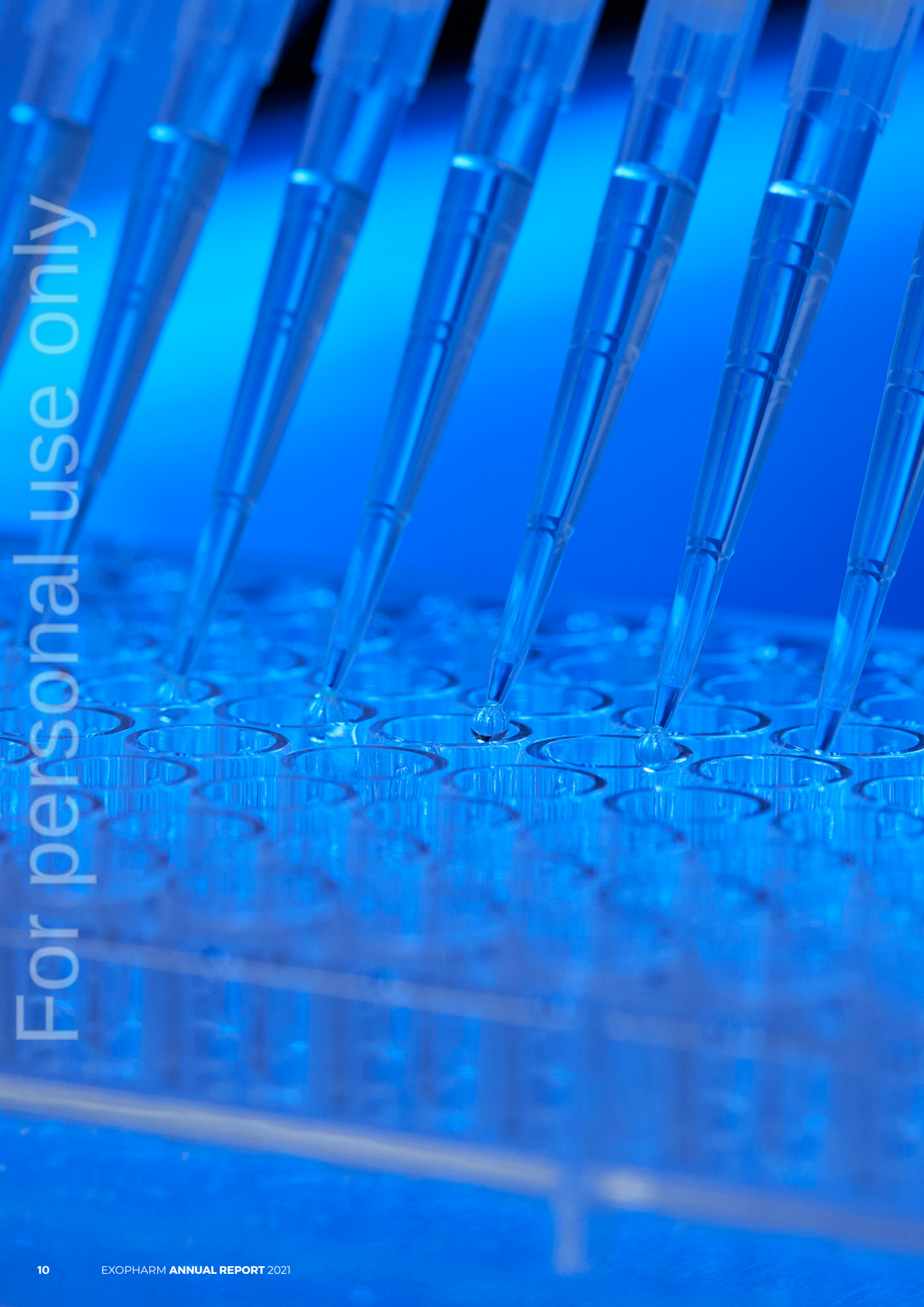
Exopharm is commercial and seeking deals

Exopharm has a team of five dedicated to doing **Business Development** to pursue and execute strategic partnerships.

The Company has a management team with the deep **expertise and commercial experience** requisite for success.

The Company has a path to early revenue through **partnering and licensing** of its technologies to enable pharma companies to build new exosome medicines for diseases with high unmet need.





Letter from the Board Chair and CEO

Dear Shareholders,

Exopharm is poised on the edge of a revolutionary approach in medicine – delivering drugs and vaccines to where they are needed in the body, directly into cells, in sufficient quantities, and through a highly bio-efficient means.

This delivery mechanism is the exosome, a nano-sized vesicle, or bubble, that is secreted naturally from almost all cells, and is involved in the inter-cellular "signalling" that is at the heart of cell-to-cell communication. It's been known for some time that exosomes have huge potential for delivering targeted medicines with precision, but the problem has always been isolating and purifying exosomes in large scale – so they can be introduced into the human body as medicines.

To date, Exopharm's LEAP technology is the only demonstrated way to produce exosomes in large-scale as a medicine.

The biggest commercial area of interest in exosomes is clear: it is using exosomes as 'delivery vehicles' inside the body for medicines – what we call exosome medicines. Exosomes have advantages over other delivery technologies, and Exopharm's manufacturing capabilities have the potential to unlock the use of exosomes for many new exosome medicines.

The COVID-19 (SARS-Cov-2) pandemic has helped the medical industry understand this potential better.

With the rapid development of SARS-Cov-2 mRNA vaccines using synthetic lipid nanoparticles (LNPs), people better understand the potential to deliver nucleic acid treatments directly into cells. Exopharm's naturally occurring exosome products have significant benefits over technologies like LNPs - including less toxicity and more efficient delivery, as they cause no concern to the body's immune system.

The global market for drug delivery systems is presently valued at around US$170 billion (A$230 billion) and is growing at a compound annual rate of 5%. Exopharm is very well placed to enter this market and capture a meaningful share of it.

To address a global market, you must be an international company. Our team is made up of people from all corners of the world. The organisations with which we are engaged in commercial partnership or licensing discussions are largely outside of Australia. We now have a registered Swiss subsidiary (ExoSuisse GmbH) and have a senior staff member living and working in Europe.

The technical and commercial people within the Exopharm team are working to support the company's strategic focus. Our team has grown to over 40 people – located at our research and manufacturing facility in the world-class Alfred medical research precinct in Melbourne.

Despite the ongoing challenges of the SARS-CoV-2 pandemic, the Board supported a growth strategy during this time. With that encouragement, the Exopharm team has grown and adapted, adjusting to where we see the biggest opportunities and the most commercial interest.

Over the past 12 months, Exopharm has enjoyed support from a growing list of shareholders – people who share our belief that exosomes could be a valuable and important part of transformative medicines.

Exopharm has been joined by Codiak Biosciences Inc. as a publicly traded company, with Codiak listing on NASDAQ (CDAK) in October 2020 and raising around US$83 million from investors. Exopharm listed on the ASX in December 2018.

The Exopharm story is in some ways complicated and multi-faceted, and has been evolving since the IPO in response to commercial interest.

Exopharm's Board has tightened the strategic focus and investment. We expect revenue to come from preclinical technology licensing and product partnerships – all based on our suite of exosome-related technologies and know-how. Additional future value may come from exosome medicines we take into clinical trials.

Biotechnology is built upon intellectual property (IP) and know-how. Exopharm is building a portfolio of unique and valuable IP and know-how across various technologies important to exosome medicines. These newer technologies include an exosome tagging product (Exoria) and a formulation for exosome medicines that extends storage times and makes transport less demanding. Discussions continue around in-licensing of other relevant technologies, and other in-house developments are supporting our leadership position in the field.

Finally, we wish to express our special thanks to each and every one of our valued team members – you are helping us build an important Australian-based business with transformative medicines and improved healthcare as its core reason for being.

Dr Ian E Dixon
Managing Director & CEO
Exopharm Limited

Mr Jason Watson
Chairman
Exopharm Limited

Directors' Report

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

Directors

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

Directors	Position
Mr Jason Watson	Non-Executive Chairman
Dr Ian Dixon	Managing Director & CEO
Ms Elizabeth M McGregor	Non-Executive Director and Company Secretary *(Appointed on 5 January 2021)*
Mr David Parker	Non-Executive Director *(Resigned on 5 January 2021)*

Names, qualifications, experience and special responsibilities of Directors currently in office

Mr Jason Watson

Non-Executive Chairman
LIb, B. Comm

Mr Watson has board and advisory experience acting with small and medium-sized enterprises, research institutes and listed companies in the life sciences and other sectors. In particular, Mr Watson has assisted companies in developing, commercialising and transacting technologies through significant biotechnology licensing deals.

Mr Watson is principal of Elementary Law, a legal practice based in Melbourne, Australia. His practice focuses on assisting clients achieve the best outcomes for their patents and innovations, including through corporate fundraising, protection strategies, licensing and commercialisation. In this capacity, Mr Watson has been recognised in the Intellectual Asset Magazine Patent 1000 independent list of The World's 1000 Leading Patent Professionals.

Mr Watson has expertise in relation to complex transactions, including establishing multi-party engagements, research and consultancy contracts and negotiating and implementing clinical trial, licensing, assignment, manufacturing, shareholding and other commercial arrangements.

Mr Watson has a Bachelor of Laws with Honours and a Bachelor of Commerce.

Dr Ian Dixon

Founder and Managing Director
PhD, MBA, MAICD

Dr Dixon has a PhD in biomedical engineering from Monash University, an MBA from Swinburne University and professional engineering qualifications.

Dr Dixon founded Exopharm in 2013 and is a co-inventor of the LEAP Technology owned by Exopharm.

He brings to the Board skills and experience across all areas of the business including technological, entrepreneurial and financial.

As Managing Director, Dr Dixon manages processes within Exopharm including strategy, intellectual property, drug development, recruitment and technology commercialisation and development.

Dr Dixon is also a Non-Executive Director and founder of Nyrada Inc. (ASX:NYR), and a co-inventor of the Nyrada cardiovascular drug NYX-330.

In 2011, Dr Dixon Co-Founded Cynata Inc, a company that is progressing the commercialisation of what has become the Cymerus technology of ASX-listed Cynata Therapeutics Ltd (ASX:CYP).

During the last three years, Dr Dixon has served as a director of the following listed companies: Medigard Ltd (ASX:MGZ) and Noxopharm Ltd (ASX:NOX).

Ms Elizabeth M McGregor

Non-Executive Director
and Company Secretary
BA (Hons), MBA, FGIA

Ms Elizabeth M McGregor is a corporate governance professional and is Company Secretary for a number of ASX listed entities. She has experience in various industries including investment management, e-commerce and biotechnology.

Elizabeth is a Fellow of the Governance Institute of Australia, a Member of the Australian Institute of Company Directors and a NSW Justice of the Peace.

Meetings of Directors

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

	Full Board	
Directors	Attended	Held
Mr Jason Watson	12	12
Dr Ian Dixon	12	12
Mr David Parker	7	7
Ms Elizabeth M McGregor	5	5

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

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report:

Directors	Fully Paid Ordinary Shares Number	Share Options Number	Performance Rights Number
Mr Jason Watson	350,000	0	60,000
Dr Ian Dixon	28,175,294	0	166,667
Ms Elizabeth M McGregor	0	0	0

As at the date of this report, the Company had 157,098,200 fully paid ordinary shares, 4,500,000 share options and 226,667 performance rights on issue.

Review of Operations

Exosomes – A Growth Opportunity

Exosomes Deliver RNA

Exosomes are nano-sized particles produced by most animal cells to exchange materials and genetic instructions with other cells, thereby co-ordinating activities such as growth and repair within the body. They have been designed by nature to deliver combination payloads, including RNA, to specific cell types in a manner that changes the behaviour of the receiving cells.

Shaped through evolution, exosomes overcome the major challenge that the pharmaceutical industry now faces – delivering biomolecules to desired tissues and cells effectively and safely. Specific delivery capability is exactly what is needed to unlock a wide variety of new medicines that will transform the outcomes for patients with a range of diseases.

Today, the drug delivery market is estimated to be US$175 billion per year. As transformational medicines are designed and reach patients, the drug delivery market will likely grow at a pace far faster than pharmaceuticals in general. Exosomes are seen as a major growth area in the drug delivery industry for three key reasons:

1. **Exosomes can deliver their cargoes across the body** to parts of the anatomy that other delivery particles cannot reach. Highly efficient drug delivery systems are needed to ensure that the drug is targeted to the correct tissues in the body in adequate quantities. Exosomes cross biological barriers, including the blood-brain barrier(BBB), and travel to tissues traditionally difficult to target for conventional medicines. Exosomes can also be guided to specific cell types by changing the protein structures attached to their surfaces.
2. **Exosomes can carry RNA and proteins**, essential components in a variety of nucleic acid medicines and gene therapies.
3. **Exosomes do not trigger immune responses** like other delivery tools (e.g. adeno-associated viruses [AAVs] and lipid nanoparticles [LNPs]), making them ideal for treatments requiring multiple doses. As they are produced naturally by our cells, they also benefit from reduced clearance rates from the body by the immune system.

The unique structure of exosomes means that they can be modified to carry specific drug cargoes and target certain cell types, which has set industry searching for ways to harness them as a means for treating human disease. Though no medicine based on exosome delivery has yet been approved for sale globally, exosome medicines have entered clinical trials. Exopharm led this advancement as the first company to trial an exosome medicine in humans. Today, Exopharm has established itself as a leader and innovator in this emerging field.

Exosomes – Nature's Solution to Delivery in the Body

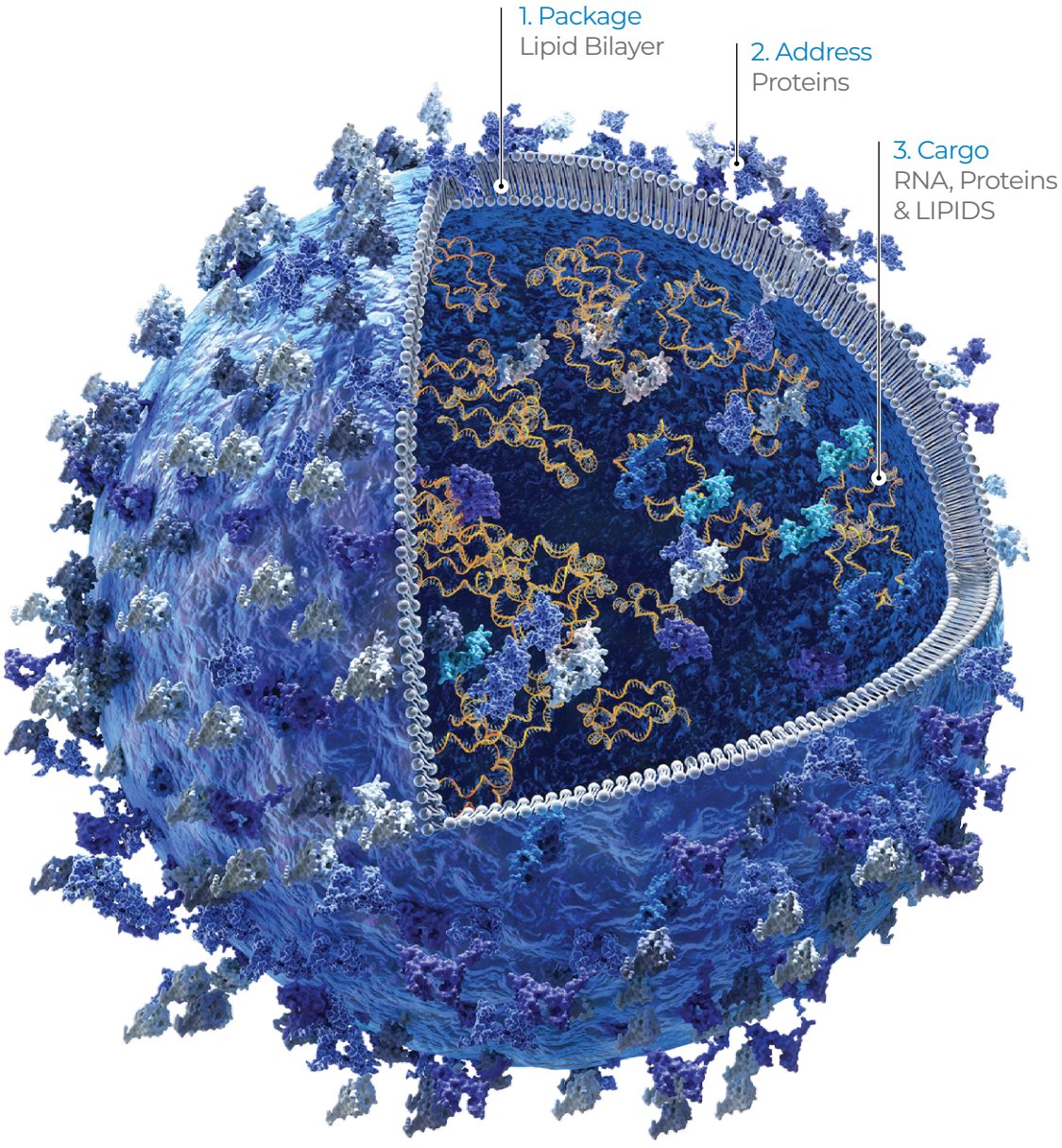
Exosomes (also referred to as extracellular vesicles or EVs) are natural, multifunctional and stable nanoparticles that transfer cargo, like RNA and proteins, between cells.

Natural exosomes can be produced as a product from cells in a bioprocessing facility.

1. Package
Outer membrane that forms the exosome (same membrane as human cells)

2. Address
External proteins that improve targeting of exosomes to certain cell types

3. Cargo
The materials delivered by exosomes including instructions (RNA) and building materials (lipids, enzymes, proteins)



Review of Operations

RNA Medicines – the Hot Topic Driving New Demand for Drug Delivery

Biologic medicines are produced using live cells or tissues. These biologics include antibodies, recombinant proteins, cell therapies, nucleic acid therapies and vaccines – they comprise a large and rapidly growing segment of marketed therapeutics.

The rapidly emerging field of nucleic acid medicines (RNA or DNA) requires specialised delivery systems to guard them from degradation within the body and prevent off-target effects. This exciting new class of drugs changes the gene expression in cells and focuses on changing the root cause of diseases, rather than treating the symptoms; they offer a better opportunity for long-lasting health improvements in patients. Their biggest opportunities lie in the treatment of previously untreatable diseases, sometimes called 'undruggable'.

Nucleic acid-based medicines include:

i) replacing a disease-causing mutated gene with a healthy gene (using CRISPR and other gene editing technologies)

ii) inactivating a mutated gene that is functioning improperly (using short interfering RNA [siRNA], micro RNA [miRNA], or antisense oligonucleotides [ASOs])

iii) introducing correct copies of defective genes to restore the function of cells and prevent diseases (using messenger RNA [mRNA] or CRISPR)

Accurate genetic profiling allows researchers to identify faulty genes in patients with rare genetic conditions or cancer, or to identify infectious genes in the case of viral diseases. It has also allowed faster manufacturing of nucleic acid therapies.

The major challenge in translating these findings into medicines is the delivery of nucleic acid-based medicines in the body. Nucleic acids are highly susceptible to degradation by enzymes called nucleases and are at risk of being cleared out of the body before reaching the desired tissues. Moreover, to be effective, nucleic acids need to be delivered to the cytoplasm of the cell (for siRNA and mRNA) or to its nucleus (for ASOs, DNA and CRISPR), and thus require cell internalisation and escape from the cell's endosomes (their internal trafficking and sorting systems). This creates a need for a drug delivery system that improves stability of nucleic acids in circulation, facilitates internalisation, and increases target affinity by localising nucleic acids to the target cells.

Review of Operations

Exopharm – Unlocking the Power of Nucleic Acid Medicines with Proprietary Exosome Technologies

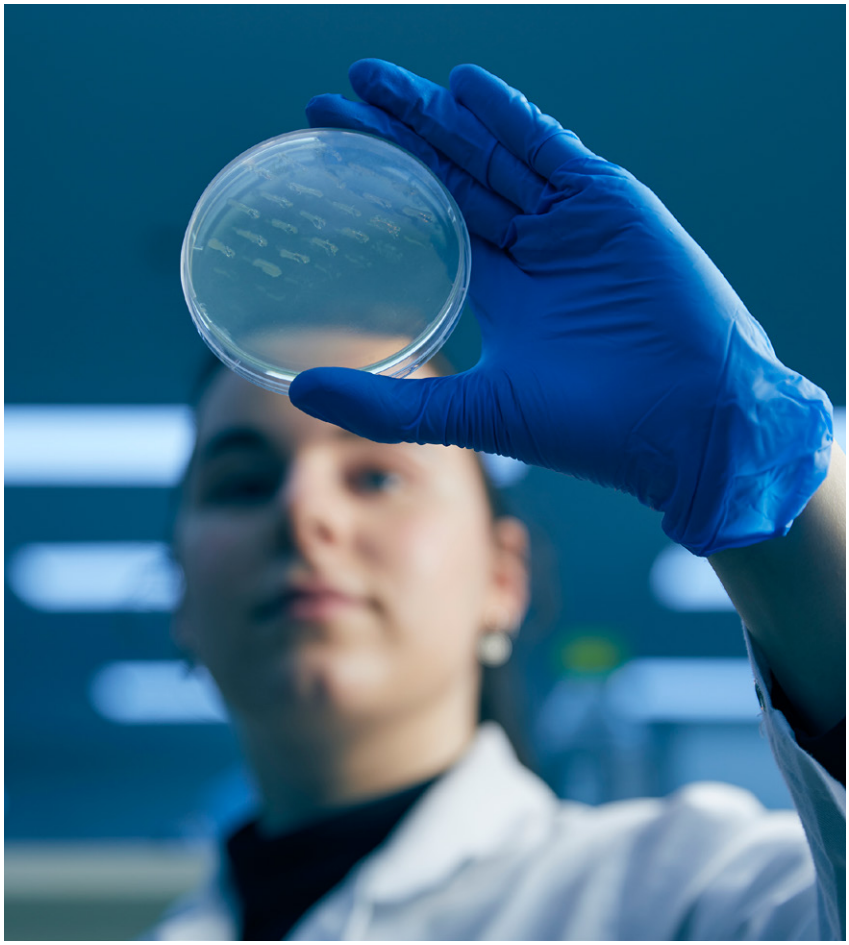
Exopharm's key proprietary technologies – LEAP, LOAD and EVPS – allow the company to design and build enhanced, customised exosome medicines. With these three technologies, Exopharm is one of only a handful of companies in the world with the capability to harness exosomes as a targeted delivery technology for nucleic acid medicines, an exciting and growing class of therapeutic.

Since its foundation, Exopharm has been built upon the understanding that industry faces specific challenges in developing exosome medicines for the clinic.

Although exosomes are readily produced by cultured cells, a key technological challenge has been the efficient and scalable purification of exosomes from source cells. Exopharm's foundational technology, LEAP, was developed specifically to overcome this bottleneck.

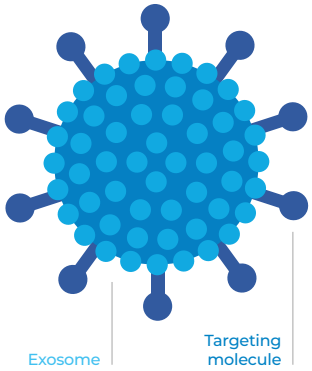
Today, Exopharm's LEAP technology is clinically proven for commercial-scale, Good Manufacturing Practice (GMP)-compatible exosome purification. Unlike alternative approaches, LEAP uses industry-standard equipment and processes, and scales economically beyond thousands of doses. LEAP is key to unlocking the potential of exosomes as a new generation of therapeutic product.

Despite the great interest in exosomes as an enhanced drug delivery system, a further key challenge for industry is to engineer exosomes to carry a desired drug cargo and to present specific targeting molecules on their surface. Here also, Exopharm holds a central position in the industry. With its proprietary LOAD and EVPS technologies, the Company can load exosomes with a therapeutic nucleic acid cargo, and target these exosomes to a specific tissue, respectively.



Review of Operations

Three Unique & Powerful Technologies Underpin our Partnering and Exosome Medicines

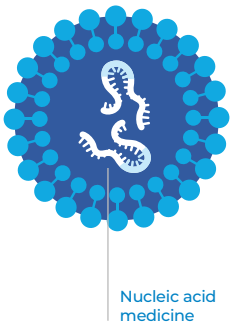


EVPS

Extracellular Vesicle Positioning System

The EVPS technology allows specific molecules to be attached to the surface of exosomes to guide them to target tissues or cell types.

Targeted delivery can improve efficacy and reduce off-target effects of the exosome's drug cargo.

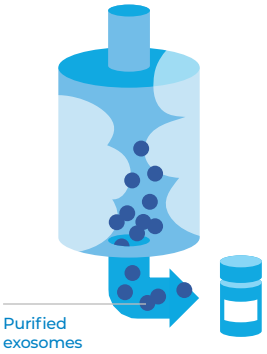


LOAD

Leveraging Oligonucleotide packing for Amplified Dosing

Using LOAD, Exopharm can add nucleic acid drugs, including RNA, into exosomes.

The exosomes protect the RNA or DNA medicine from degradation as it is delivered to the intended tissues.



LEAP

Ligand-based Exosome Affinity Purification

LEAP isolates and purifies exosomes from biofluids like blood and cell culture media.

It is clinically proven as a scalable and economical technology for clinical-grade manufacture of exosome medicines.

LEAP

Exopharm has made important progress in the past year in demonstrating and in advancing intellectual property protections of its wholly owned exosome isolation and purification technology, LEAP (Ligand-based Exosome Affinity Purification).

In June 2021, Exopharm was granted its first LEAP patent by the Russian Patent Office, with an expiry date of 22 December 2037. Related LEAP patent applications have continued to progress in eleven other jurisdictions, including in the United States where a Fast Track application has been approved by the US Patent and Trademark Office.

Exopharm's scientists continue to develop the LEAP purification process. In a landmark achievement, LEAP manufacturing was used to produce all the clinical-grade doses of an exosome product for a phase 1 human clinical trial. The successfully completed study showed that the LEAP-isolated exosome product was safe, and further credentialled the Company's exosome medicine manufacturing capability.

LEAP continues to be an industry-leading technology, with no apparent comparable technology for delivering clinical-grade exosomes at scale.

Review of Operations

LOAD and EVPS

LOAD (Leveraging Oligonucleotide packing for Amplified Dosing) enables specific RNA molecules to be preferentially loaded into exosomes as a therapeutic cargo. With LOAD, Exopharm is creating novel and powerful exosome medicines for a range of diseases. The Company holds an exclusive licence for LOAD, with the patent progressing through national phases in six jurisdictions.

EVPS (Extracellular Vesicle Positioning System) enables Exopharm scientists to attach custom proteins to the surface of exosomes to give the exosomes tropism for (i.e., target them to) selected cell types. Exosome targeting improves efficacy and reduces off-target effects of the encapsulated therapeutic, which is particularly critical with nucleic acid medicines. Exopharm holds an exclusive licence for the EVPS technology, with the patent granted in the United States.

Over the past year, since Exopharm announced its exclusive in-licensing of LOAD and EVPS in June 2020, the Company has successfully demonstrated LOAD and EVPS technologies in house and launched preclinical pipeline programs.

Alongside LEAP, these technologies not only enable the design and evaluation of new exosome medicines that the Company owns and invests in, but position Exopharm as a viable and credible partner for pharma companies seeking to deliver their own drug candidates using exosomes.

Review of Operations

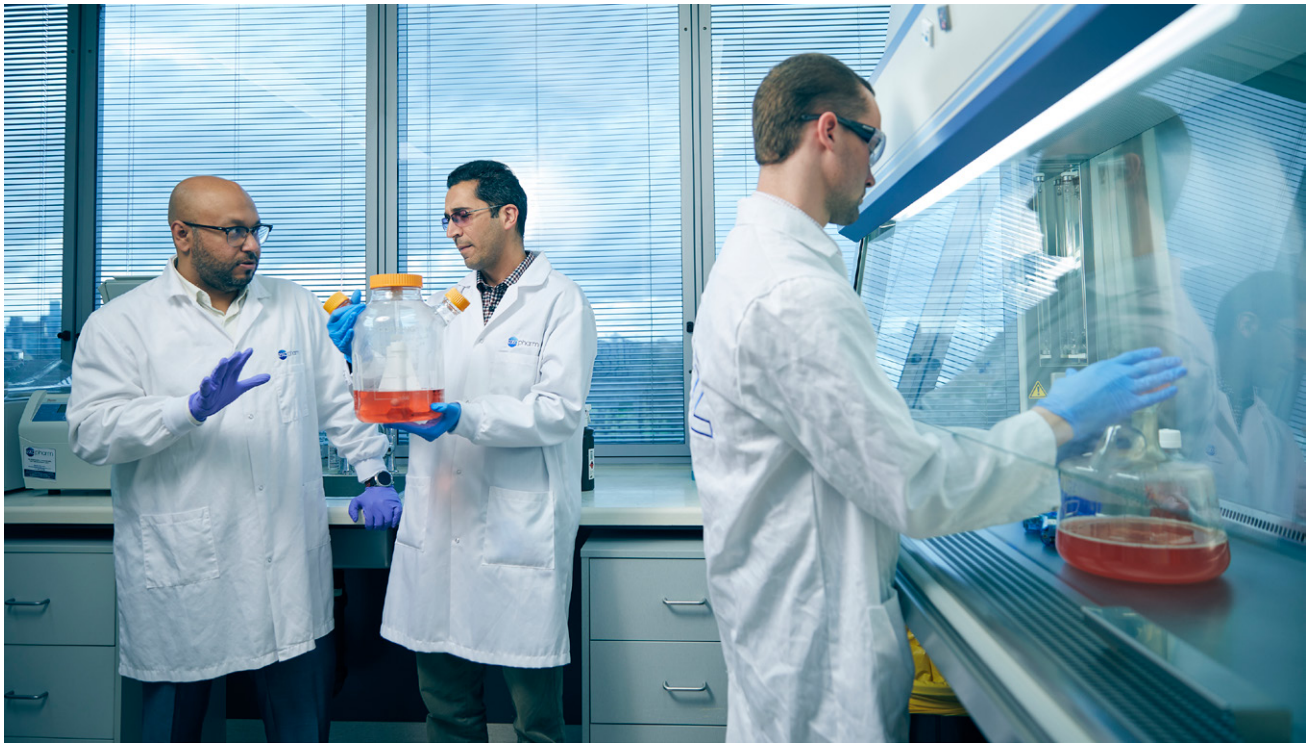
Building High-value Partnerships

Exopharm is investing in producing data to support partnering.

Securing partnering deals, from which Exopharm will derive income by allowing pharma companies to use its tools and intellectual property, is a key focus for the Company. Partnering is a process built upon establishing relationships and confidence, and upon having the data to demonstrate the value of the technology to potential partners.

In Exopharm's laboratories, many exciting and important activities are underway as Exopharm's scientists gather the test results and data required to support the Company's partnering discussions.

Exopharm is investing to support transactions based on exosome medicine partnering and exosome technology licensing.



With LEAP, we have an industry-leading technology for scalable exosome manufacturing.

Dr Owen Tatford
Head of Downstream Processing

Review of Operations

Exopharm is Building Financial Value Via Exosome Medicines – Concurrent Business Opportunities

Exosome Medicines – Development through Partnering

Large pharma companies are investing in exosome medicines. Within the past 18 months, several significant partnerships have been executed for preclinical exosome medicine candidates. Each partnership has involved upfront cash payments upward of A$80 million.

As one of only a handful of companies with the technology and know-how to develop hundreds of bespoke exosome medicines, Exopharm is well-placed to make similar alliances and is attracting interest from pharma companies with assets for specific diseases that need exosomes to reach their target, bringing exosome medicines into the product pipelines of major companies with aspiration to use exosomes.

Exosome Medicines – Our own Pipeline

Exopharm is building a pipeline of its own products as well. This pipeline of transformative therapeutic products will harness the full potential of exosomes to bring entirely new classes of drugs, such as gene editing treatments, to patients suffering from a variety of currently untreatable diseases. The creation and advancement of a pipeline of exosome medicines wholly-owned by Exopharm is an important part of the strategy.

Exosome Medicines Strategy

- Generate revenue from partnership deals (incl. upfront & milestone payments) that allow traditional Pharma companies leverage the power of exosomes for their own product pipelines
- Fund creation of a pipeline of Exosome Medicines owned by Exopharm that bring transformational new therapies to the lives of suffering patients across a range of diseases

Review of Operations

Exopharm is Building Financial Value Via Exosome Technologies Licensing

Through its rapidly developing patent portfolio and deep know-how, Exopharm seeks to license its technologies, such as LEAP and Exoria to companies that can:

- Integrate LEAP into their GMP processes, including blood plasma fractionators, blood services and other exosome companies
- Integrate Exoria into research and analytical tools and processes to track exosomes
- Empower contract manufacturing organisations to serve companies scaling up exosome production

The execution of a non-binding Heads of Agreement (HOA) with the Finnish Red Cross Blood Service (FRCBS) in April 2021 was an early result of this focus. The agreement for FRCBS to license Exopharm's LEAP technology on commercial terms and to produce and sell EVs isolated from blood components continues to progress and is a clear sign that Exopharm's technologies are world-class and transferrable into the processes of others.

Exosome Technologies Strategy

- Demonstrate the ability for bioprocessing companies to bring Exopharm's LEAP and Exoria into their GMP processes
- Reach non-exclusive licensing agreements that can underpin the entire exosome medicines industry for peers, including plasma companies, blood services and other exosome-focused companies
- Establish long-term royalty streams that generate considerable profit over the lifetimes of Exopharm's patents

Review of Operations

Products & Technologies – New Intellectual Properties for a Growing Field

Exopharm continues to build its 'tool box' of exosome-related technologies knowing that pharma companies are bringing exosomes into their development programs. These technologies include:

fortrexo™

One of Exopharm's preclinical programs, Fortrexo CoV, is being developed to treat SARS-CoV-2 infection. Good progress has been made in early preclinical work with the product, and it is progressing towards animals studies later in CY2021.

The Fortrexo design serves as a proof-of-concept for Exopharm's exosome modification technologies and provides data for partnering discussions. The Company filed a provisional patent for the Fortrexo invention in May 2021.

EXORIA™

Exoria is a novel dye developed by Exopharm that stains otherwise 'invisible' extracellular vesicles (EVs) to enable improved EV tracking in both lab experiments and animal studies.

The dye has been undergoing testing at several internationally recognised EV research laboratories and in June 2021, a research group in Germany led by Dr Bernd Giebel, had its EV research work published as a pre-print in bioRxiv open access biological repository, with the results validating Exoria as a suitable dye for labelling populations of EVs.

Exopharm lodged a provisional patent application for Exoria in December of 2020 and the product could provide Exopharm with an early source of revenue.

Formulation H

Exopharm's scientists have developed an advanced formulation to maintain the stability and activity of exosome medicines during storage. The Company has filed a provisional patent for Formulation H. This formulation technology can be used to generate revenue and support the Company's own exosome medicine products.

Review of Operations

The Year Ahead

Exopharm's mission is to be a global leader in the exosome medicines industry. It is one of very few companies creating exosome medicines through partnership deals, clinical trials and eventually commercialisation.

Exopharm is advancing development of its exosome technologies and medicines.

Key developments anticipated over the next financial year are:

- Building commercial relationships with potential partners and licensees.
- Extending our manufacturing capability and scale.
- Completion of in vivo animal studies with Fortrexo CoV, providing proof-of-concept for Exopharm's exosome medicine platform.
- Additional patent approvals for technologies in Exopharm's patent portfolio.
- Completion of in vitro preclinical studies for central nervous system (CNS) asset and subsequent initiation of in vivo animal studies to demonstrate effective delivery of therapeutic cargo across the BBB.

Exopharm will also continue to direct effort and investment towards partnering and licensing to derive revenue in the near term.

Priorities

- Making exosome medicines available to established biopharmaceutical companies to enable successful delivery of existing drug candidates
- Generating revenue in the near-term through multiple deals
- Building a valuable leadership position in the emerging exosome medicines field through our exosome technologies and exosome medicines

Finance and Accounting

The loss for the Group after providing for income tax amounted to $8,468,046 (30 June 2020: $5,278,803).

Dividends

No dividends have been paid or declared since the start of the financial year and the Board does not recommend the payment of a dividend in respect of the current financial year.

Unissued shares under option/performance rights

Details of unissued shares, interests under option and performance rights as at the reporting date of this report are:

Issuing Entity	Number of shares under option	Performance rights	Class of shares	Exercise price of option	Expiry date of options
Exopharm Limited	1,500,000	0	Ordinary	$0.40	09 November 2025
Exopharm Limited	1,500,000	0	Ordinary	$0.60	09 November 2025
Exopharm Limited	1,500,000	0	Ordinary	$0.90	09 November 2025
Exopharm Limited	0	113,333	Performance right	N/A	01 July 2021
Exopharm Limited	0	113,334	Performance right	N/A	01 January 2022
Options/performance rights lapsed or forfeited					
Exopharm Limited	0	113,333	Performance rights	N/A	01/01/2021

The holders of these options and performance rights do not have the right to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

113,333 performance rights lapsed on the 01 January 2021.

1,017,866 performance rights were issued and vested to ordinary shares during the financial year.

No options were cancelled during or since the end of the financial year.

Review of Operations

Review of financial conditions

The Group has cash in bank of $12,723,581 as at 30 June 2021 (2020: $1,742,920). The Directors are of the opinion that the Group is a going concern.

Significant events during the year

On 27 August 2020 the Company announced a Placement of 41,666,667 shares to raise a total of $10 million (before costs). The Placement was completed in two Tranches:

- **Tranche 1:** On 8 September 2020 the Company issued 23,868,000 fully paid ordinary shares at $0.24 cents per share to raise $5,728,320 (before costs)
- **Tranche 2**: On 9 November 2020 the Company issued 17,798,667 fully paid ordinary shares at $0.24 cents per share to raise $4,271,680 (before costs).

As part of the Placement mandate the Company issued the following to Canary Capital:

- **On 9 November 2020** the Company issued 1,500,000 unlisted options with an exercise price of $0.40 and an expiry date of 5 years from date of issue.
- **On 9 November 2020** the Company issued 2,000,000 fully paid ordinary shares (in lieu of a 6% placement fee cash payment)

On 15 September 2020 the Company announced the appointment of Canary Capital as a corporate advisor. As part of the mandate the Company issued the following options:

- **On 9 November 2020** the Company issued 1,500,000 unlisted options with an exercise price of $0.60 and an expiry date of 5 years from date of issue
- **On 9 November 2020** the Company issued 1,500,000 unlisted options with an exercise price of $0.90 and an expiry date of 5 years from date of issue

On 9 November 2020 the Company issued 340,000 performance rights to Key Management Personnel.

On 9 November 2020 the Company issued 75,000 fully paid ordinary shares to Key Management Personnel following achievement of Key Performance Indicators.

On 2 December 2020 the Company issued 200,000 fully paid ordinary shares to Key Management Personnel following achievement of Key Performance Indicators.

On 8 April 2021 the Company issued 1,017,866 performance rights. 926,666 were issued to Key Management Personnel with the remaining given to other employees.

On 30 April 2021 the Company announced a placement of 16,666,667 shares at $0.72 cents per share to raise a total of $12,000,000 (before costs).

On 6 May 2021 the Company authorised conversion of 1,017,866 performance rights. 926,666 issued to Key Management Personnel vested into an equal number of ordinary shares for nil consideration under the terms of the Company's Performance Rights Plan with the remaining given to other employees.

Review of Operations

Significant events after balance sheet date

On 2 August 2021 the Company issued 350,000 performance rights to Key Management Personnel.

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

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental legislation

The Group is not subject to any environmental legislation requirements other than statutory legislation.

Indemnification and insurance of directors and officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group (as named above), the Group secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Company secretary

Ms Elizabeth M McGregor of the Automic Group is the registered Company Secretary and has been in office since 5 January 2021. Ms Sinead Teague, also of the Automic Group, was the registered Company Secretary from 15 June 2020 to 5 January 2021.

Proceedings on behalf of the group

There are no proceedings on behalf of the Group.

Auditor independence

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (Vic) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out following the Directors report for the year ended 30 June 2021.

Non-audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Review of Operations

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Exopharm Limited's key management personnel ('KMP') for the financial year ended 30 June 2021. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act of 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Remuneration Report (continued)

Key Management Personnel (KMP)

The directors and other key management personnel of the Group during the financial year were:

Directors	Position	Period of Employment (to present)
Dr Ian Dixon	Managing Director & CEO	1 May 2018
Mr Jason Watson	Non-Executive Chairman	10 August 2018
Ms Elizabeth M McGregor	Non-Executive Director & Company Secretary	5 January 2021
Mr David Parker	Non-Executive Director	26 June 2018 - 5 January 2021
Executives	**Position**	**Period of Employment (to present)**
Dr Gregory Lichtfuss[1]	Chief Operating Officer	1 May 2018
Dr Christopher Baldwin	Deputy CEO & Chief Commercial Officer	25 November 2019

[1] *Dr Gregory Lichtfuss changed position to become the Business Services Manager and was no longer considered KMP from 7 May 2021.*

Comments on Remuneration Report at Exopharm's most recent AGM

There were no comments or questions on the Remuneration Report for Exopharm arising from the 2020 Annual General Meeting.

Remuneration Policy

The Board of Directors is committed to transparent disclosure of its remuneration strategy and this report details the Group's remuneration objectives, practices and outcomes for KMP, which includes Directors and senior executives, for the year ended 30 June 2021. Any reference to "Executives" in this report refers to KMPs who are not Non-Executive Directors.

Remuneration Policy Framework

The Group's remuneration policy is to assist the Group to attract and retain key people to assist the development of its products and entering into partnership transactions. It has been designed to reward key management and employees fairly and responsibly in accordance with the market in which the Group operates, and to ensure that the Group:

- Provides competitive remuneration that attracts, retains and motivates executives and employees;
- Benchmarks remuneration against appropriate peer groups;
- Provides a level of remuneration structure to reflect each executive's respective duties and responsibilities;
- Aligns executive incentive rewards with the creation of value for shareholders; and
- Complies with legal requirements and appropriate standards of governance.

Remuneration Committee

The Board has not implemented a separate Remuneration Committee during the year. Due to the size of the Group and the fact there are only three directors on the board, this has been the responsibility of the whole Board.

Remuneration Structure

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

Remuneration Report (continued)

Policy for Executive Remuneration

The Group maintains its existing performance management procedures for key management personnel by having each key manager undertake an annual performance appraisal with the Managing Director based on individual and business performance expectations and other circumstances. The Chief Executive Officer's performance is in turn reviewed by the Board of Directors.

The Group's remuneration policy is to provide a fixed remuneration component and a short-term and long-term performance-based component. The Board believes that this remuneration policy is appropriate in aligning executives' objectives with shareholder and business objectives.

Executive Remuneration consisted of only Fixed and Variable Remuneration during the year.

Remuneration Components

Fixed Remuneration

Fixed remuneration consists of based salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Fixed remuneration was reviewed by Board of Directors having regard to remuneration paid to executives of relevant comparable peer group of companies taking into account Group and individual performance. The Group sought to position its fixed remuneration in line with comparably sized ASX listed companies within the same sector. Size is determined by market capitalisation at the time of comparison.

Executives receive an employer superannuation contribution made into a complying superannuation fund at the required Superannuation Guarantee rate of base salary. Executives may receive other benefits including vehicle benefits and provision of a mobile telephone. During the year no vehicle benefits were provided.

Variable Remuneration

There was variable remuneration for the Executives during the year.

Variable remuneration includes cash and share bonuses which are linked to Key Performance Indicators. As at 30 June 2021, only the CEO and deputy CEO had cash bonus and share structures incorporated into their employment contracts.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include share price, research results, market results, shareholder composition and business development.

Policy for and Components of Non-Executive Remuneration During the Reporting Period

Remuneration Policy

Non-Executive Director Fees

The overall level of annual Non-Executive Director fees was approved by shareholders in accordance with the requirements of the Group's Constitution and the Corporations Act. The maximum aggregate pool of Directors' fees payable to all of the Group's Non-Executive Directors is $350,000 per annum. This aggregate amount was approved by shareholders at a General Meeting of Shareholders 26 June 2018.

Remuneration Report (continued)

Remuneration Structure

Non-Executive Directors receive a fixed remuneration of base fees plus statutory superannuation. The Chairman receives $96,000 per annum and the only non-executive Director receives $30,000 per annum, which includes statutory superannuation. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Group. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committee or shareholder meetings whilst engaged by Exopharm. Non-Executive Directors do not earn retirement benefits other than superannuation and are not entitled to any compensation on termination of their directorships.

The annual Board and committee fees were reviewed during the reporting period to 30 June 2021 and have remained unchanged since this review. A further review will be conducted in the next financial period in accordance with the annual review of salaries performed by the Board of Directors.

The current Board fee structure for Non-Executive Directors is as per the table below:

Chair	Member
$96,000	$30,000

Fees for Non-Executive Directors are not linked to the performance of the Group, however, to align directors' interests with shareholder interests, the directors may hold shares in the Group as governed by the Group's Securities Trading Policy.

Remuneration Report (continued)

Remuneration governance including use of remuneration consultants

The Board is responsible for ensuring Exopharm's remuneration strategy is aligned with Group's performance and shareholder interests and is equitable for participants. The Board is responsible for reviewing and making decisions on remunerations matters.

Employment contracts

As of the date of this report, remuneration and other terms of employment of Directors and Other Key Management Personnel are formalised in employment contracts and service agreements. The major provisions of the agreements related to remuneration are set out below (amounts below include statutory superannuation):

Executive Director	Base Salary/Fee	Terms of Agreement	Notice Period
Dr Ian Dixon	**Base Remuneration:** $350,400 per annum (including Super) **Bonus:** 1. At-risk annual Cash bonus of $70,000 based on achievement of key performance indicators (KPIs) monitored by the Board; and 2. Eligibility to participate in the Group's performance rights plan	**Commencement date** 3 Sep 2020 **Employment Type:** Full time **Role:** Managing Director and Chief Executive Officer	6 months in writing by either party
	Prior Agreement **Base remuneration:** $280,000 per annum (including Super) **Bonus:** 1. At-risk annual Cash bonus of $70,000 based on achievement of key performance indicators (KPIs) monitored by the Board; 2. At-risk annual Share bonus of up to 200,000 shares; and 3. Eligibility to participate in the Group's performance rights plan	**Commencement Date:** 1 December 2019 Employment Type: 0.8 full time equivalent **Role:** Managing Director and Chief Executive Officer	6 months in writing by either party

Non-Executive Directors	Base Salary/Fee	Terms of Agreement	Notice Period
Mr David Parker (Resigned effective 5 January 2021)	$30,000 per annum (including Super)	**Commencement date:** 26 June 2018	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act 2001
Mr Jason Watson	$96,000 per annum (including Super)	**Commencement date:** 10 August 2018	
Ms Elizabeth M McGregor	$36,000 per annum (including Super)	**Commencement date:** 5 January 2021	

Other KMP	Base Salary/Fee	Terms of Agreement	Notice Period
Dr Gregor Lichtfuss	$159,432 per annum (including Super) from 1 July 2019 plus a Cash bonus of $10,000 on meeting certain performance criteria. $219,788.40 per annum (including Super) from 1 December 2019.	**Commencement date:** 1 May 2018	3 months in writing by either party
Dr Christopher Baldwin	**Base Remuneration:** $330,000 per annum (including Super) from 25 November 2019 **Bonus Remuneration:** 1: At-risk annual Cash bonus of up to $33,000 (inclusive of Superannuation) based on KPIs to be set; and 2: At-risk annual Share bonus for first 12 months for the smaller of 75,000 shares (FPO) or $75,000 (inclusive of Superannuation) based on KPIs to be set.	**Commencement date:** 25 November 2019	3 Months in writing by either party

Remuneration Report (continued)

Remuneration of KMP

Details of the nature and amount of each element of the emoluments received by or payable to each of the KMP of Exopharm Limited for the financial years specified are as follows:

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
2021	Salary & fees $	Bonus Payments $	Non-Monetary $	Superannuation $	Long Service Leave $	Equity-settled options $	Total $
Directors							
Mr Jason Watson [1]	87,671	–	–	8,329	-	10,635	106,635
Dr Ian Dixon [3]	314,482	80,000	5,172	21,694	9,036	101,542	531,926
Mr David Parker [2]	13,916	–	–	1,301	1,465	–	16,682
Ms Elizabeth M McGregor [2]	18,000	–	–	–	–	–	18,000
	434,069	80,000	5,172	31,324	10,501	112,177	673,243
Other KMP							
Dr Gregor Lichtfuss [2]	200,720	–	3,237	19,068	5,518	9,941	238,484
Dr Christopher Baldwin [4]	308,306	33,000	13,132	21,694	1,425	203,176	580,733
	509,026	33,000	16,369	40,762	6,943	213,117	819,217
	943,095	**113,000**	**21,541**	**72,086**	**17,444**	**325,294**	**1,492,460**

[1] No Bonus component to remuneration, i.e. Nil Bonus forfeited (0%) and Nil bonus paid (0%). Share based payments for Mr Jason Watson includes performance rights.

[2] No Bonus component to remuneration, i.e. Nil Bonus forfeited (0%) and Nil bonus paid (0%).

[3] $80,000 bonus was paid during the year (15%) and $0 bonus forfeited (0%). Share based payments for Dr Ian Dixon includes performance rights and bonus shares.

[4] $33,000 bonus was paid during the year (8%) and $0 bonus forfeited (0%). Share based payments for Dr Christopher Baldwin includes bonus shares and performance rights.

	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	
2020	Salary & fees $	Bonus Payments $	Superannuation $	Equity-settled options $	Total $
Directors					
Mr Jason Watson [1]	87,671	–	8,329	–	96,000
Dr Ian Dixon [2]	232,877	–	22,123	–	255,000
Mr David Parker [1]	27,397	–	2,603	–	30,000
	347,945	–	33,055	–	381,000
Other KMP					
Dr Gregor Lichtfuss [3]	177,795	32,583	19,986	–	230,364
Dr Christopher Baldwin [2]	182,137	–	17,303	–	199,440
	359,932	32,583	37,289	–	429,804
	707,877	**32,583**	**70,344**	**–**	**810,804**

[1] No Bonus component to remuneration, i.e. Nil Bonus forfeited (0%) and Nil bonus paid (0%).

[2] Bonus component for both employees is part of their remuneration, however nil bonus was paid during the year (0%) and Nil bonus forfeited (0%). Bonus component for both employees are due to be reviewed annually, i.e. before November 2020.

[3] Bonus paid during the year was 100% of potential Bonus with Nil bonus was forfeited (0%).

Other disclosure:

The Group is a pre-revenue biotechnology Group and expects to generate negative earnings until such time as the Group can either out-license its technologies/products or take the products to registration (either on it's own or with a partner) and to the point of sales. Negative earnings for pre-revenue biotechnology companies is common and we don't expect this to affect shareholder wealth.

Remuneration Report (continued)

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS FULLY PAID ORDINARY SHARES OF EXOPHARM LIMITED (NUMBER)							
30 June 2021	Balance at Beginning of Year	Granted as Compensation	Received on Exercise of Options	Net Change – Other	Held on Resignation	Balance at End of Year	Balance Held Beneficially
Directors							
Dr Ian Dixon	27,975,294	200,000	–	–	–	28,175,294	28,175,294
Mr David Parker	1,092,200	–	–	(197,000)	(895,000)	–	–
Mr Jason Watson	290,000	–	–	60,000	–	350,000	350,000
Ms Elizabeth M McGregor	–	–	–	–	–	–	–
	29,357,494	200,000	–	(137,000)	(895,000)	28,525,294	28,525,294
Other KMP							
Dr Gregor Lichtfuss	628,235	–	–	50,000	–	678,235	678,235
Dr Christopher Baldwin	–	75,000	–	839,665	–	914,665	914,665
	628,235	75,000	–	889,665	–	1,592,900	1,592,900
	29,985,729	**275,000**	**–**	**752,665**	**(895,000)**	**30,118,194**	**30,118,194**

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS FULLY PAID ORDINARY SHARES OF EXOPHARM LIMITED (NUMBER)						
30 June 2020	Balance at Beginning of Year	Granted as Compensation	Received on Exercise of Options	Net Change – Other	Balance at End of Year	Balance Held Nominally
Directors						
Dr Ian Dixon	27,935,294	–	–	40,000	27,975,294	27,975,294
Mr David Parker	1,072,200	–	–	20,000	1,092,200	1,092,200
Mr Jason Watson	150,000	–	–	140,000	290,000	290,000
	29,157,494	–	–	200,000	29,357,494	29,357,494
Other KMP						
Dr Gregor Lichtfuss	588,235	–	–	40,000	628,235	628,235
Dr Christopher Baldwin	–	–	–	–	–	–
	588,235	–	–	40,000	628,235	628,235
	29,745,729	**–**	**–**	**240,000**	**29,985,729**	**29,985,729**

Remuneration Report (continued)

PERFORMANCE RIGHTS OF EXOPHARM LIMITED					
2021	Balance at Beginning of Year No.	Granted as Compensation No.	Vested / Cancelled No.	Net Other Change No.	Balance at End of Year No.
Directors					
Dr Ian Dixon	–	250,000	(83,333)	–	166,667
Mr David Parker	–	–	–	–	–
Mr Jason Watson	–	90,000	(30,000)	–	60,000
Ms Elizabeth M McGregor	–	–	–	–	–
	–	340,000	(113,333)	–	226,667
Other KMP					
Dr Gregor Lichtfuss	–	50,000	(50,000)	–	–
Dr Christopher Baldwin	–	876,666	(876,666)	–	–
	–	926,666	(926,666)	–	–
	–	**1,266,666**	**(1,039,999)**	**–**	**226,667**

PERFORMANCE RIGHTS OF EXOPHARM LIMITED					
2020	Balance at Beginning of Year No.	Granted as Compensation No.	Vested / Cancelled No.	Net Other Change No.	Balance at End of Year No.
Directors					
Dr Ian Dixon	–	–	–	–	–
Mr David Parker	–	–	–	–	–
Mr Jason Watson	–	–	–	–	–
Ms Elizabeth M McGregor	–	–	–	–	–
	–	–	–	–	–
Other KMP					
Dr Gregor Lichtfuss	–	–	–	–	–
Dr Christopher Baldwin	–	–	–	–	–
	–	–	–	–	–
	–	–	–	–	–

Auditor's Independence Declaration

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

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

On behalf of the directors

Dr Ian E Dixon
Managing Director & CEO

30 August 2021

Independent Auditor's Declaration

William Buck

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 there have been:

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

William Buck

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

C.L. Siddles
Director

Dated 30th August 2021

ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
Telephone: +61 3 9824 8555
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Interest income		7,049	60,580
Other revenue		309	–
Government grants and tax incentives	3	4,191,445	2,665,473
Expenses			
Research and development	4	(4,130,650)	(2,980,449)
Employee costs		(5,868,939)	(3,134,273)
Corporate & Administration expenses	5	(2,667,260)	(1,890,134)
Loss before income tax expense		**(8,468,046)**	**(5,278,803)**
Income tax expense	6	–	–
Loss after income tax expense for the year attributable to the owners of Exopharm Limited		(8,468,046)	(5,278,803)
Other Comprehensive income for the year, net of tax		–	–
Total Loss for the year attributable to the owners of Exopharm Limited		**(8,468,046)**	**(8,468,046)**
		Cents	**Cents**
Basic and diluted earnings per share	7	(6.48)	(5.62)

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

Consolidated Statement of Financial Position

As At 30 June 2021

	Note	2021 $	2020 $
Assets			
Current Assets			
Cash and cash equivalents	8	12,723,581	1,742,920
Other current assets	10	4,475,868	2,315,776
Total Current Assets		**17,199,449**	**4,058,696**
Non-current Assets			
Property, plant and equipment	11	2,123,465	911,689
Right-of-use assets	12	1,355,483	929,267
Intangibles	13	325,000	325,000
Security deposit		453,005	277,791
Other non-current assets		–	40,000
Total Non-current Assets		**4,256,953**	**2,483,747**
Total Assets		21,456,402	6,542,443
Liabilities			
Current Liabilities			
Accounts payable and other current liabilities	14	909,094	408,888
Lease liabilities	15	571,184	309,132
Employee benefits	16	288,341	203,364
Total Current Liabilities		**1,768,619**	**921,384**
Non-current Liabilities			
Lease liabilities	15	784,882	603,741
Employee benefits	16	36,345	–
Total Non-current Liabilities		**821,227**	**603,741**
Total Liabilities		**2,589,846**	**1,525,125**
Net Assets		**18,866,556**	**5,017,318**
Equity			
Issued capital	17	34,295,791	12,755,619
Reserves	18	777,112	–
Accumulated losses		(16,206,347)	(7,738,301)
Total Equity		**18,866,556**	**5,017,318**

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

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2021

	ISSUED CAPITAL $	RESERVES $	RETAINED PROFITS $	TOTAL EQUITY $
Balance at 1 July 2019	7,578,815	–	(2,459,232)	5,119,583
Adjustment for change in accounting policy	–	–	(266)	(266)
Balance at 1 July 2019 - restated	7,578,815	–	(2,459,498)	5,119,317
Loss after income tax expense for the year	–	–	(5,278,803)	(5,278,803)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive loss for the year	–	–	(5,278,803)	(5,278,803)
Transactions with owners in their capacity as owners		–		
Shares issued during the period	5,539,640	–	–	5,539,640
Share issue costs	(362,836)	–	–	(362,836)
Balance at 30 June 2020	**12,755,619**	**–**	**(7,738,301)**	**5,017,318**

	ISSUED CAPITAL $	RESERVES $	RETAINED PROFITS $	TOTAL EQUITY $
Balance at 1 July 2020	12,755,619	–	(7,738,301)	5,017,318
Loss after income tax expense for the year	–	–	(8,468,046)	(8,468,046)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive loss for the year	–	–	(8,468,046)	(8,468,046)
Transactions with owners in their capacity as owners				
Shares issued during the period	22,870,875	–	–	22,870,875
Recognition of share-based payments	–	1,357,347	–	1,357,347
Vesting of options or rights that have been converted to ordinary shares	580,235	(580,235)	–	–
Share issue costs	(1,910,938)	–	–	(1,910,938)
Balance at 30 June 2021	**34,295,791**	**777,112**	**(16,206,347)**	**18,866,556**

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

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(10,217,880)	(7,311,818)
Research and development refund received		2,271,589	504,582
Interest received		6,148	60,580
Government grants and other income		111,512	50,000
Net cash used in operating activities	9	(7,828,631)	(6,696,656)
Cash flows from investing activities			
Payments for property, plant and equipment	11	(1,625,350)	(631,802)
Payments for security deposits		(188,570)	(277,791)
Advances to employees		–	(40,000)
Proceeds from advances to employees		15,000	–
Net cash used in investing activities		(1,798,920)	(949,593)
Cash flows from financing activities			
Proceeds from issue of shares	17	22,000,001	5,539,640
Share issue transaction costs		(840,000)	(362,836)
Interest and other finance costs paid		(57,860)	(21,744)
Repayment of lease liabilities		(494,942)	(184,846)
Net cash from financing activities		20,607,199	4,970,214
Net increase/(decrease) in cash and cash equivalents		10,979,648	(2,676,035)
Cash and cash equivalents at the beginning of the financial year		1,742,920	4,418,955
Effects of exchange rate changes on cash and cash equivalents		1,013	–
Cash and cash equivalents at the end of the financial year	**8**	**12,723,581**	**1,742,920**

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

Index to the Notes to the Financial Statements

Notes to the Consolidated Financial Statements
For The Year Ended 30 June 2021

Note 1. Statement Of Significant Accounting Policies

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements comprise the financial statements of the Group. For the purposes of preparing the financial statements, the Group is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for Exopharm Limited ('Exopharm' or the 'Company') and its wholly-owned Switzerland-based subsidiary, ExoSuisse GmbH (together referred to as the 'Consolidated Entity' or the 'Group').

The financial report has also been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in and operating in Australia. The principal activity of the Group during the year was investment in biopharmaceutical drug development.

(b) Adoption of new and revised standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current and prior reporting periods.

New or amended Accounting Standards or Interpretations that are material to the Company but not yet mandatory have not been early adopted and are discussed below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The company has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it will not have a material impact on the company's financial statements.

(c) Statement of compliance

The financial report was authorised for issue on 26 August 2021. The financial report complies with Australian Accounting Standards, (AAS). Compliance with AAS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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

Share based payments

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment of plant and equipment of intangible assets
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition for R&D income
Revenue for R&D income has been recognised in the year that the income relates to, however actual receipt of the R&D Grant funds do not occur until after the Balance Date. While the R&D income is based on lodged submissions and expected revenue, there is however some uncertainty relating to the final receipt and R&D income, as final income is subject to ATO finalisation and payment between three to nine months following the balance date and as at the date of this report the FY2021 R&D income has not yet been receipted.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Exopharm.

(f) Foreign currency translation

Both the functional and presentation currency of Exopharm is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(g) Other Income

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research and Development Tax Incentive

Income from a research and development refund as a financial asset is recognised when it is probable that the grant will be received, which is determined in reference to when a refund has been verified by a suitably qualified third party and lodged with the Australian Taxation Office. No estimates of any potential research and development refunds or grants are recognised until such time as they are probable.

ATO Cash Flow Boost Income

Income received from the Australian Taxation Office as a cash boost has been recognised as revenue in the relevant year.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred tax assets and deferred tax liabilities are provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(j) 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 30 – 90 days.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Company to measure the loss allowance at an amount equal to lifetime expected credit loss ('ECL') if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Company is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses.

When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

(m) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation

Depreciation is calculated on diminishing value basis using the following useful lives:

Plant equipment	1 to 10 years
Office equipment	3 years
Computer equipment	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(n) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost and less accumulated amortisation once the IP asset is ready for use and/or impairment as required. Amortisation is charged on a straight-line basis over their estimated useful lives, amortisation starts following the grant of a patent and assets are held at cost until such time as the patent has been granted or impaired. At this point in time no IP assets or patents have been granted.

The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

IP asset	8 years following grant of patent

(o) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some, or all, of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Loss per share

Basic loss per share is calculated as net loss attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the one subsidiary of Exopharm Limited ('Company' or 'Parent Entity') as at 30 June 2021 and the results of the one subsidiary for the year then ended. Exopharm Limited and its subsidiary together are referred to in these financial statements as the 'Group' or the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(t) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

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

(u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(v) Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows;

- Fixed lease payments less any lease incentives;
- Variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- Lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use asses comprise the initial measurement of the corresponding lease liability less any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(w) Foreign operations

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

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

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 2. Segment Reporting

The Group only operated in one segment, being investment in research and development of biopharmaceutical drugs.

Note 3. Government Grants and Tax Incentives

	2021 $	2020 $
R&D tax incentive *	4,080,248	2,615,473
ATO cash flow boost incentive	50,000	50,000
Export Market Development Grant	61,197	–
	4,191,445	2,665,473

**$160,698 relates to an additional amount received as a result of a successful Overseas Finding Application submitted to AusIndustry for eligible expenditure relating to the 2019/2020 financial year.*

Note 4. Research and development

	2021 $	2020 $
Research and development expenses	2,878,294	2,349,601
Depreciation of plant and equipment	513,422	193,043
Depreciation of right-of-use assets	450,955	168,187
Intellectual property expenses	287,979	269,618
	4,130,650	2,980,449

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 5. Corporate & Administration Expenses

	2021 $	2020 $
Corporate expenses	1,265,380	919,204
Professional and consulting fees	264,648	211,135
Insurance	168,579	137,153
Business development and marketing	330,956	137,905
Subscriptions	225,878	104,943
Depreciation of plant and equipment	41,999	21,192
Other administrative expenses	369,820	358,602
	2,667,260	1,890,134

Note 6. Income Tax Expense

	2021 $	2020 $
(a) Income tax benefit	–	–
Aggregate income tax expense	–	–
(b) Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	(8,468,046)	(5,278,803)
Tax at the statutory tax rate of 26% (2020: 30%)	(2,201,692)	(1,583,641)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Current period (loss) for which no deferred tax asset was recognised	2,201,692	1,583,641
Income tax expense	–	–

Tax losses not recognised	2021 $	2020 $
Losses available for offset against future taxable income	4,080,248	3,693,748
Potential tax benefit @ 26%	**1,060,864**	**960,374**

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

Note 7. Loss Per Share

Losses used in the calculation of basic and diluted loss per share is as follows:

	2021 $	2020 $
Loss after income tax attributable to the owners of Exopharm Limited	(8,468,046)	(5,278,803)

Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:

	Number	Number
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	130,599,126	94,005,060

	Cents	Cents
Basic and diluted earnings per share	(6.48)	(5.62)

Note 8. Cash and Cash Equivalents

	2021 $	2020 $
Current assets		
Cash at bank	8,023,581	1,242,920
Cash on deposit	4,700,000	500,000
	12,723,581	1,742,920

Term deposits are taken for periods between one and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Note 9. Reconciliation of Loss After Income Tax to Net Cash Used in Operating Activities

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2021 $	2020 $
Loss after income tax expense for the year	(8,468,046)	(5,278,803)
Adjustments for:		
Depreciation and amortisation	1,006,376	382,421
Research and development refund claim	(3,919,550)	(2,110,891)
Finance costs paid classified in financing activities	–	21,744
Share based payments	721,286	–
Effects of exchange rate changes on cash and cash equivalents	1,014	–
Changes in assets and liabilities:		
Decrease/(increase) in other current assets	1,759,458	(42,377)
Increase in accounts payable and other current liabilities	1,070,831	331,250
Net cash used in operating activities	**(7,828,631)**	**(6,696,656)**

Note 10. Other Current Assets

	2021 $	2020 $
Current assets		
R&D tax incentive receivable	3,919,550	2,110,891
GST receivable	217,060	57,324
Advances to suppliers	–	20,032
Prepayments	297,918	113,332
Security deposits	15,439	14,197
Advances to employees	25,000	–
Accrued interest receivable	901	–
	4,475,868	**2,315,776**

Note 11. Property, plant and equipment

	2021 $	2020 $
Non-current assets		
Plant and equipment - at cost	2,766,549	1,122,875
Less: Accumulated depreciation	(759,071)	(245,649)
	2,007,478	877,226
Computer equipment - at cost	157,594	49,961
Less: Accumulated depreciation	(58,580)	(22,744)
	99,014	27,217
Office equipment - at cost	29,503	13,613
Less: Accumulated depreciation	(12,530)	(6,367)
	16,973	7,246
	2,123,465	**911,689**

Reconciliations

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

	Plant Equipment $	Computer Equipment $	Office Equipment $	Total $
Balance at 1 July 2019	438,467	43,873	11,782	494,122
Additions	631,802	–	–	631,802
Depreciation expense	(193,044)	(16,654)	(4,537)	(214,235)
Balance at 30 June 2020	877,225	27,219	7,245	911,689
Additions	1,643,674	107,632	15,891	1,767,197
Depreciation expense	(513,422)	(35,836)	(6,163)	(555,421)
Balance at 30 June 2021	**2,007,477**	**99,015**	**16,973**	**2,123,465**

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 12. Right-of-use Assets

	2021 $	2020 $
Non-current assets		
Land and buildings - right-of-use	1,626,580	1,097,454
Less: Accumulated depreciation	(271,097)	(168,187)
	1,355,483	**929,267**
Reconciliation		
Carrying value at beginning of year	929,267	-
Recognised on 1 July 2019 on adoption of AASB 16	-	18,305
Termination of the lease	(749,409)	-
Lease inception	1,626,580	1,079,149
Depreciation	(450,955)	(168,187)
Carrying value at end of year	**1,355,483**	**929,267**

Right-of-use assets relates to laboratory and corporate offices facilities leased by the Company. A security deposit amounting to $453,005 is held by Macquarie Bank as security for the facilities. This security deposit relates to the Companies major lease commitments at The Baker, Melbourne. This lease is disclosed in the accounts as a Lease Liability. The Company entered a new lease agreement on 01 January 2021 that runs for an initial 3 year period and has a rent of circa $1,357,815. In 2021 the Company had a Lease that ran for an initial three year period and has annual rent of circa $452,605 and associated outgoings of $162,022 per annum. The facility is used by the Company's research and development team and has extensive laboratory facilities that are used to run experiments, maintain cultures and execute the development program.

Note 13. Intangibles

	2021 $	2020 $
Non-current assets		
Intellectual property - at cost	**325,000**	**325,000**
Reconciliation		
Carrying value at beginning of year	**325,000**	**325,000**

Note 13. Intangibles (continued)

On 5 October 2018, the Company and Altnia (Licensor) signed an Intellectual Property Assignment and License Termination Deed (the 'Deed'). Altnia has agreed to assign and the Company agreed to accept the assignment of, all of Altnia's rights, titles, estate and interest in the Assignment Rights. Assignment rights includes patents, documentation, confidential material, know-how, inventions and for avoidance of doubt, all Intellectual Property Rights in the LEAP Technology, including:

a. LEAP Ligand know-how and rights of use;
b. All current and future applications of the LEAP Ligand; and
c. Other technologies and discoveries made that are associated with the LEAP process.

In addition, Altnia and the Company agreed to terminate the License Agreement above subject to and in accordance with the terms and conditions of the Deed.

As consideration for the assignment of the Assignment Rights, Exopharm must:

a. grant royalties to Altnia; and
b. provide the Reimbursement Payments to Altnia in accordance with Clause 7 of the Deed.

Clause 7 of the Deed, mandates that Exopharm must pay to Altnia the Reimbursement Payments, as partial reimbursement of the costs incurred by Altnia in developing and protecting the Assignment Rights, as follows:

a. $75,000 on or before 1 September 2018 (Initial Reimbursement Payment); and
b. $250,000 within 7 business days on which each of the following have been satisfied:
c. ASX notifies Exopharm that it has decided to admit Exopharm to the official list of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent (Decision Letter); and
d. The Exopharm Board resolves to do all things necessary to satisfy the conditions precedent in the Decision Letter, including issuing securities under its initial public offering.

The parties also acknowledged and agree that, prior to the commencement date of the Deed, Exopharm has made full payment of the Initial Reimbursement Payment amounting to $75,000.

The Company has fully paid the $325,000 cost of the IP asset as at 30 June 2021.

This IP asset has not been amortised as per the notes, given that the IP asset it not considered ready for use, given there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Other IP: Other intellectual property, new in-licensing costs and patent costs have been expensed.

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 14. Accounts Payable and Other Current Liabilities

	2021 $	2020 $
Current liabilities		
Trade payables	306,434	137,615
Accruals	150,297	32,474
Accrued payroll costs	44,191	702
PAYG payable	316,849	238,097
Other payables	91,323	–
	909,094	**408,888**

Note 15. Lease Liabilities

	2021 $	2020 $
Current liabilities		
Lease liability	571,184	309,132
Non-current liabilities		
Lease liability	784,882	603,741
	1,356,066	**912,873**
Reconciliation		
Balance at the beginning of the year	912,873	–
Recognised on 1 July 2019 on adoption of AASB 16	–	18,571
Lease inception	1,626,580	1,079,148
Termination of the lease	(688,445)	–
Principal repayments	(494,942)	(184,846)
Balance at the end of the year	**1,356,066**	**912,873**

	2021 $	2020 $
Interest paid	58,685	21,744
Depreciation - right of use asset	450,955	168,187

The Company has provided a Security Deposit equivalent to one years rent, to be provided as security for the lease, for the main lease at The Baker. Other leases have no security provided.

During the year, the Group signed a new lease agreement with the same lessor. The new lease was for a different underlying asset and therefore the lease was accounted for as a separate lease in accordance with AASB16. The accounting for the original lease remains unchanged.

Upon cessation of the original lease an amount of $2,279 was recognised in the Statement of Profit and Loss and Other Comprehensive income.

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 16. Employee Benefits

	2021 $	2020 $
Current liabilities		
Accrued payroll costs	**288,341**	**203,364**
Non-current liabilities		
Long service leave	36,345	–
	324,686	**203,364**

Note 17. Issued Capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	157,098,200	95,472,000	34,295,791	12,755,619

Movement in ordinary shares	2021 No.	2020 No.	2021 $	2020 $
Balance at beginning of year	95,472,000	80,500,000	12,755,619	7,578,815
Shares issued (Tranche 1)	41,666,667	14,972,000	10,000,000	5,539,640
Shares issued (Tranche 2)	16,666,667	–	12,000,000	–
Performance shares issued	1,017,866	–	580,236	–
Share based payments	2,275,000	–	870,875	–
Less share issue costs	–	–	(1,910,939)	(362,836)
	157,098,200	95,472,000	34,295,791	12,755,619

Ordinary shareholders entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 18. Reserves

	2021 $	2020 $
Share-based payments reserve	**777,112**	–

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

	2021 $	2020 $
Reconciliation		
Balance at beginning of year	–	–
Recognition of share-based payments	1,357,347	–
Vesting of options or rights that have been converted to ordinary shares	(580,235)	–
Balance at end of year	**777,112**	–

Further information about share-based payments is set out in note 24.

Note 19. Financial Instruments

	2021 $	2020 $
Financial assets		
Cash in bank	12,723,581	1,742,920
Trade and other receivables	40,439	71,521
Other non-current assets	453,005	40,000
	13,217,025	1,854,441
Financial liabilities		
Accounts payable and other current liabilities	909,094	408,888
Lease liabilities	1,356,066	912,873
	2,265,160	1,321,761

The Group's principal financial instruments comprise of cash and cash equivalents, other receivables, security deposits, payables and other current/non-current liabilities. The main purpose of the financial instruments is to provide working capital for the operations of the business. The Group also has other financial instruments such as trade creditors which arise directly from its operations. For the year ended 30 June 2021, it has been the Group's policy not to trade in financial instruments.

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

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Foreign exchange risk
- Capital risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers and suppliers.

The Group's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group does not have any significant credit risk exposure. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group did not have any undrawn facilities at its disposal as at balance date.

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate %	Less Than 1 Month $	1 – 3 Months $	3 Months – 1 Year $	1 – 5 Years $	5+ Years $
2021						
Non-interest bearing	–	9,287	1,143,596	–	–	–
Variable interest rate instruments	–	–	–	–	–	–
Fixed interest rate instruments	–	45,749	138,402	387,032	784,882	–
	–	**55,036**	**1,281,998**	**387,032**	**784,882**	**–**
2020						
Non-interest bearing	–	–	612,252	–	–	–
Fixed interest rate instruments	–	–	78,764	230,368	603,799	–
	–	**–**	**691,016**	**230,368**	**603,799**	**–**

(c) Interest rate risk management

The Company is not exposed to significant interest rate risk.

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is not exposed to market risk as at reporting date.

(e) Foreign exchange risk

The Group has an exposure to foreign exchange rates fluctuations given that the Group purchases plant equipment, consumables and services from overseas suppliers as part of the research and development activities of the Group.

At 30 June 2021, the Group has cash denominated in CHF dollars (CHF $25,000 (2020: CHF$0)). The A$ equivalent at 30 June 2021 is $36,076 (2020: $0). A 5% movement in foreign exchange rates would increase the Group's loss before tax by approximately $727 (2020: ($0)).

(f) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The primary source of Group funding is equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 20. Related Party Transactions

The Company's related parties include Key Management and others as described below:

The aggregate compensation made to Directors and other Key Management Personnel of the Company is set out below:

	2021 $	2020 $
Short-term employee benefits	1,077,636	810,804
Post-employment benefits	72,086	–
Long-term benefits	17,444	–
Share-based payments	325,294	–
	1,077,636	**810,804**

Transactions with other related parties

The aggregate value of transactions with other related parties is set out below:

	2021 $	2020 $
Automic	174,098	232,883
Cobblestones Advisory	18,150	–
Alto Capital	192,000	–
Total	**384,248**	**232,883**

Note 21. Remuneration of Auditors

The auditor of Exopharm Limited is William Buck Audit (Vic) Pty Ltd.

	2021 $	2020 $
Audit services		
Audit and review of the financial statements	43,000	41,196
Other services		
Due diligence	3,596	–
	46,596	**41,196**

Note 22. Dividends

The directors of the Company have not declared any dividend for the year ended 30 June 2021.

Note 23. Committments and Contingencies

As at 30 June 2021, the Company has no other material commitments except as disclosed below:

Altnia Royalty Deed Commitments
On 5 October 2018, the Company and Altnia Operations Pty Ltd (Altnia or Licensor) signed an Intellectual Property Assignment and License Termination Deed (the 'Deed'). As consideration for the assignment of the Assignment Rights, Exopharm must:

a. grant royalties to Altnia; and

b. provide the Reimbursement Payments to Altnia in accordance with Clause 7 of the Deed.

The Reimbursement Payments were fully paid during the 2019 year.

As at 30 June 2021, the Company is a party to a Royalty Deed with Altnia Operations Pty Ltd (a company owned by a KMP).

As at 30 June 2021, the Company has the following financial commitments pursuant to the Royalty Deed:

1. Royalties on net sales – 3% of net sales;
2. License Royalty – 10% of license revenue.

Lease Commitments
As at 30 June 2021, the Company has one major lease commitment at The Baker, Melbourne. This lease is disclosed in the accounts as a Lease Liability. The Lease runs for an initial three-year period and has annual rent of circa $452,605 and associated outgoings of less than $162,022 per annum. The Company is committed to making lease payments over future periods as follows.

	30 June 2021
During the period 1 July 2021 – 30 June 2022	623,846
During the period 1 July 2022 – 30 June 2023	570,941
During the period 1 July 2023 – 30 June 2024	240,084
	1,434,871

As at 30 June 2021 the Company has a number of short-term leases and has applied the optional exemption to not capitalise these leases and instead accounted for the lease expense on a straight-line basis over the lease term. Total expense for these short term leases amounted to $177,985 as at 30 June 2021 (2020:$136,634). There were no commitments to these short-term leases as at 30 June 2021 and 30 June 2020.

Employee Commitments
The Company currently has 41 employees and a current annualised total annual remuneration of $5,034,562 including statutory superannuation. The Company pays statutory superannuation on a monthly basis.

Expenditure Commitments
Research and development Costs – Total committed costs for the next 12 months are approximately AU$380,370.
Corporate Costs – Total committed corporate costs for the next 12 months are approximately AU$43,000.

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 24. Share-based Payments

	2021 $	2020 $
Share-based payments		
Arising on issuance of shares for no consideration	100,875	–
Arising on issuance of performance rights	620,411	–
	721,286	–

Options

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

Each option issued converts into one ordinary share of Exopharm Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence at the end of the current reporting period:

No. of Options	Grant date	Expiry date	Vesting date	Grant date fair value	Exercise price
1,500,000 [1]	29/10/2020	9/11/2025	9/11/2020	$0.20	$0.40
1,500,000 [1]	29/10/2020	9/11/2025	9/11/2020	$0.16	$0.60
1,500,000 [1]	29/10/2020	9/11/2025	9/11/2020	$0.13	$0.90

[1] A total of 4,500,000 options were issued to Canary Capital Securities Pty Ltd during the financial year as compensation for brokerage fee of capital raise.

1,500,000 options were issued with an exercise price of $0.40 and an expiry date of 5 years from date of issue as part of the Placement mandate.

3,000,000 options were issued as part of the Corporate Advisory mandate on the below terms:

- 1,500,000 unlisted options with an exercise price of $0.60 and an expiry date of 5 years from date of issue
- 1,500,000 unlisted options with an exercise price of $0.90 and an expiry date of 5 years from date of issue

For the options granted during the current financial year, the fair value of the options at grant date is determined using a Black Scholes pricing valuation model. The inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate
29/10/2020	9/11/2025	$0.385	Various	64%	0%	0.25%

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Performance rights

Performance Rights were issued to Directors and Senior Management. The Performance Rights under this programme will vest if certain conditions, as defined below, are met.

Vesting conditions are based on the performance of Exopharm Limited's shares on the Australian Stock Exchange within a specified period. In addition, the holders of these rights have to be employed until the end of the agreed vesting period.

The Performance Rights will automatically convert to ordinary shares if the condition has been met at the vesting date.

The holders of these performance rights do not have the right to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

The Group used a Monte Carlo simulation to incorporate a probability-based value impact of the market conditions to determine the fair value of the Performance Rights. The key inputs of the Monte Carlo simulation are referred to below.

The following share-based payment arrangements were in existence at the end of the current reporting period:

No. of Performance Rights	Grant date	Vesting date	Grant date share price	Vesting condition VWAP hurdle*	Volatility	Risk-free rate	Grant date fair value
113,333	9/9/2020	1/7/2021	$0.31	$0.60	100%	0.248%	$0.156
113,334	9/9/2020	1/1/2022	$0.31	$0.75	100%	0.248%	$0.163

* The Performance Rights will vest on the vesting date if the Volume Weighted Average Price (VWAP) for a period of 20 consecutive trading days (on which the shares are traded) is at least equivalent to the hurdle price at any time in the immediate six months prior to the vesting date.

113,333 performance rights lapsed on the 01 January 2021.

1,017,866 performance rights were issued and vested to ordinary shares during the financial year.

No. of Performance Rights	Grant date	Vesting date	Grant date share price	Vesting condition VWAP hurdle*	Volatility	Risk-free rate	Grant date fair value
508,933	6/4/2021	6/5/2021	$0.655	$0.60	100%	0.6%	$0.6179
508,933	6/4/2021	6/5/2021	$0.655	$0.75	100%	0.6%	$0.5222

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 25. Parent Entity Information

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

Statement of profit or loss and other comprehensive income	Parent 2021 $	Parent 2020 $
Loss after income tax	(8,308,114)	(5,278,803)
Total Loss	(8,308,114)	(5,278,803)

Statement of financial position	Parent 2021 $	Parent 2020 $
Total current assets	17,166,697	4,058,696
Total assets	21,521,404	6,542,443
Total current liabilities	1,673,689	921,384
Total liabilities	2,494,917	1,525,125
Net assets	**19,026,487**	**5,017,318**
Equity		
Issued capital	34,295,791	12,755,619
Share-based payments reserve	777,112	–
Accumulated losses	(16,046,416)	(7,738,301)
Total equity	**19,026,487**	**5,017,318**

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

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

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

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 30 June 2021

Note 26. Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2021 %	2020 %
ExoSuisse GmbH	Switzerland	100.00%	–

Note 27. Events After The Reporting Period

On 2 August 2021 the Company issued 350,000 performance rights to Key Management Personnel.

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

Directors' Declaration

For The Year Ended 30 June 2021

In the opinion of the Board of Exopharm Limited ('the Company'):

1. The financial statements and notes thereto, as set out on pages 17 to 56 are in accordance with the Corporations Act 2001 including:
   - giving a true and fair view of the Company's financial position as at 30 June 2021 and its performance for the year then ended; and
   - complying with Australian Accounting Standards, the Corporations Regulations 2001, and International Standards (IFRS) as disclosed in Note 1 of the Financial Statements; 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.295(5) of the Corporations Act 2001. On behalf of the Directors:

Dr Ian E Dixon
Managing Director & CEO

30 August 2021

Independent Auditor's Report

For The Year Ended 30 June 2021

William Buck

Exopharm Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Exopharm Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

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

Basis for Opinion

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

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

Key Audit Matters

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

ACCOUNTANTS & ADVISORS
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William Buck

RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to Remuneration report on pages 8 to 14 and Note 20**	**How our audit addressed it**
The Group conducted material related party transactions with entities where key management personnel have interests and/or are directors. As such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: — Assessment of the Group's controls to identify and disclose related party transactions and transactions in accordance with the relevant accounting standards and the *Corporations Act 2001*; — Comparing the list of related parties provided by the directors with internal sources; — Conducting an ASIC search for external directorships held by the Board members to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed; and — Assessed whether related party transactions were conducted at arms-length by comparing the basis of the transactions to external sources. For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the accounting and *Corporations Act 2001* requirements
CARRYING VALUE OF INTANGIBLES	
Area of focus **Note 13**	**How our audit addressed it**
Valuation, capitalisation and impairment testing of the original licenced asset and the intellectual property asset acquired during the year required critical estimations and judgements of those charged with governance to accurately account for the intangible assets of the Group.	Our audit procedures included: — Assessed whether intangible assets were eligible for capitalisation by reviewing the term and condition of the IP contract as well as the nature of the asset. — Assessed impairment indicators of intangible assets not yet ready for use and the recoverability of the asset continue to meet the requirements of AASB 138 *Intangible Assets*.

Independent Auditor's Report (continued)
For The Year Ended 30 June 2021

	We also assessed the adequacy of the Group's financial statement disclosures.
SHARE-BASED PAYMENT TRANSACTIONS	
Area of focus **Note 24**	**How our audit addressed it**
During the year, the Group issued a number of equity settled share-based payments in the form of options and performance rights to key management personnel other suppliers. Some of these share-based payment arrangements have vesting terms connected with market performance conditions. Valuation of these instruments is inherently complex and subject to significant management estimates and judgement and as such, the Group engaged an independent valuation expert to assist with the process. As a result of meeting the vesting conditions attached to the performance rights, a total of 1,017,866 ordinary shares with a fair value of $580,236 were issued based on the contractual terms of the agreements. A total of $721,286 has been recognised as a share-based payment expense during the year as detailed in Note 24.	Our audit procedures included: Verifying the key terms of the equity settled share-based payments to letters of offer to the instrument holders and approved board minutes; Assessing the appropriateness of the determination of the grant date; Examining the credentials of the independent expert; Assessing the fair value of the share-based payments based on the Company's external valuation by agreeing the inputs to underlying support, reviewing the assumptions used for reasonableness and evaluating the accuracy of calculations; and Reviewing the attributes of the vesting conditions and ensuring that the expense is recorded over the appropriate vesting period. We also assessed the appropriateness of disclosures relating to these items in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

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

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

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Exopharm Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

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

William Buck

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

C. L. Siddles
Director

Dated the 30th day of August 2021

Shareholder Information

30 June 2021

The shareholder information set out below was applicable as at 6 August 2021.

There is one class of quoted securities, fully paid ordinary shares.

(a) Distribution of Security Number

Category (Size of holding)	Shareholders	Shares	% of issued capital
1 to 1,000	219	136,599	0.09%
1,001 to 5,000	669	1,808,679	1.15%
5,001 to 10,000	398	3,260,547	2.08%
10,001 to 100,000	974	34,076,530	21.69%
100,001 and over	229	117,815,845	75.00%
Total	**2,489**	**157,098,200**	**100%**

There are 2,489 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

(b) Marketable Parcel

There are 238 shareholders with less than a marketable parcel (basis price $0.45).

(c) Voting Rights

On a show of hands every person present who is a member or proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or proxy, attorney or representative of a member shall have one vote for each share held.

(d) Substantial Shareholders

As at 6 August 2021, the following shareholders have disclosed a substantial shareholder notice to ASX:

Name	Number of shares	% of issued capital	Date of notice
Altnia Holdings Pty Ltd (Dixon Family A/C) (a related party of Dr Ian Dixon)	28,175,294	8.052%	30/04/2021
Carl Charalambous	8,653,912	6.21%	09/02/2021

(e) On-Market Buy-Back

There is no on-market buy-back scheme in operation for the Company's quoted shares.

Shareholder Information (continued)
For The Year Ended 30 June 2021

(f) Top 20 Security Holders

The names of the twenty largest holders of quoted equity security, being fully paid ordinary shares, the number of equity security each holds and the percentage of capital each holds is as follows:

	Ordinary shares	
	Number held	% of total shares issued
ALTNIA HOLDINGS PTY LTD (DIXON FAMILY A/C)	28,175,294	17.93%
KYRIACO BARBER PTY LTD	10,611,100	6.75%
KOHEN ENTERPRISES PTY LTD	2,002,000	1.27%
MR PAUL JOSEPH COZZI	2,000,000	1.27%
CITICORP NOMINEES PTY LIMITED	1,648,230	1.05%
MR MICHAEL FRANCIS MCMAHON & MRS SUSAN LESLEY MCMAHON <MCMAHON SUPER FUND A/C>	1,635,849	1.04%
OLDVIEW ENTERPRISES PTY LTD <THE PRIESTLEY A/C>	1,610,000	1.02%
DEVELOPMENT MANAGEMENT & CONSTRUCTIONS <THE THREE SISTERS A/C>	1,545,350	0.98%
MR RUSSELL NEIL CREAGH	1,457,000	0.93%
MR PETER DALLAS CHECKLEY & MS NIOMIE ESTHER VARADY <CHECKLEY FAMILY S/F A/C>	1,410,275	0.90%
MR NORMAN CIPRIANO	1,312,500	0.84%
ZESSHAM PTY LTD <ZESSHAM A/C>	1,300,000	0.83%
DIXSON TRUST PTY LIMITED	1,231,000	0.78%
MR ANTHONY JOHN LOCANTRO	1,120,000	0.71%
MRS ANNA FELICIA BELTON	1,000,000	0.64%
SENTINEL INVESTMENT MANAGEMENT LIMITED <RHEA INVESTMENT A/C>	1,000,000	0.64%
MR ANDREW FAY	1,000,000	0.64%
MR JOHN GARDNER	925,000	0.59%
CHRISTOPHER BALDWIN	876,666	0.56%
ACNS CAPITAL MARKETS PTY LTD	865,000	0.55%
CANARY CAPITAL PTY LTD	800,000	0.51%
DR RAOUL POPE	757,506	0.48%
Total	64,282,770	40.92%
Total issued capital	**157,098,200**	**100.00%**

Shareholder Information (continued)
For The Year Ended 30 June 2021

Other ASX Information

1. Corporate Governance

The Company's Corporate Governance Statement as at 30 June 2021 as approved by the Board can be viewed at https://exopharm.com/financial-reporting/

2. Stock Exchange on which the Company's Securities are Quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange

3. Review of Operations

A review of operations is contained in the Directors' Report.

4. Consistency with Business Objectives – ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business of objective is primarily research and development of biopharmaceutical drugs.

The Company believes it has used its cash in a consistent manner to which was disclosed under the prospectus dated 6 November 2018.

5. Restricted Securities

As at 6 August 2021, the Company had no restricted securities:

6. Unquoted equity securities

The Company has the following unquoted equity securities on issue:

Options

- 1,5000,000 unlisted options exercisable at $0.40 expiring 09 November 2025
- 1,5000,000 unlisted options exercisable at $0.60 expiring 09 November 2025
- 1,5000,000 unlisted options exercisable at $0.90 expiring 09 November 2025

Performance Rights

576,667 unlisted performance rights issued under the Company's employee incentive scheme

Voting rights

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

Ordinary shares

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