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# ANNUAL REPORT

For the year ended 30 June 2021

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**SUDA PHARMACEUTICALS LTD**

ACN 090 987 250

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## CORPORATE DIRECTORY

<b>DIRECTORS</b>	<p>Mr. Paul Hopper Non-Executive Chairman</p> <p>Mr. David Simmonds Non-Executive Director</p> <p>Mr. David Phillips Executive Director</p> <p>Dr. Michael Baker CEO and Managing Director</p> <p>Dr. Debora Barton (appointed 10 August 2021) Non-Executive Director</p>
<b>COMPANY SECRETARY</b>	Mr. Phillip Hains
<b>PRINCIPAL REGISTERED OFFICE IN AUSTRALIA</b>	Level 3, 62 Lygon Street Carlton VIC 3053
<b>SHARE AND DEBENTURE REGISTER</b>	Advanced Share Registry Ltd 110 Stirling Highway Nedlands WA 6009 +61 8 9389 8033
<b>AUDITORS</b>	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street Perth WA 6000
<b>BANKERS</b>	National Australia Bank 330 Collins Street Melbourne VIC 3000
<b>STOCK EXCHANGE LISTING</b>	<p>Australian Securities Exchange Ltd</p> <p>Exchange Plaza 2 The Esplanade Perth WA 6000</p> <hr/> <p>Listing Codes</p> <p>Ordinary shares      SUD</p> <p>Options                SUDOD (expired 30 June 2021)</p> <p>Options                SUDOE (from 5 August 2020)</p>

## LETTER FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the board, I am pleased to present my review of SUDA's activities for the financial year ended 30 June 2021. I would also like to take this opportunity to thank our existing and new shareholders for their support over the past 12 months and for their continued support through three capital raises in FY 2021.

It has been an eventful twelve months as we have continued to experience the disruptions of COVID-19. Nevertheless, at SUDA, we have continued apace and embarked on a transformational deal for the Company. In June of this year, we licenced a technology from Imperial College London, one that we think has the potential to play a large role in cancer treatment. The technology focuses on the use of a very specific immune cell type, the invariant Natural Killer T (iNKT) cell. Cell therapies have revolutionised the way we think about cancer treatment and at SUDA, we believe that the iNKT cell therapy platform has a number of differentiating factors that, once developed, could see its widespread adoption for cancer treatment.

Post the balance date, we have continued to build out our team and have made a number of key appointments. We appointed Dr Sandhya Buchanan as our VP of Manufacturing and Quality for the iNKT cell therapy platform. In addition, we appointed Dr Debora Barton as a non-executive director. Both are well credentialed in developing cell therapies. In addition, since completing the transaction, we have established a Scientific Advisory Board for the iNKT cell therapy program, comprising Professor Tassos Karadimitris as Chairman and Dr Reuben Benjamin and Dr John Maher, both world recognised cell therapy experts. We also entered into a Collaborative Research Agreement with Imperial College London to continue the research efforts and build out the functionality of the platform.

SUDA also received TGA approval for its most advanced product, ZolpiMist, which has been developed for the treatment of short-term insomnia. Following TGA approval, after the balance date, SUDA also secured an Australia partner to commercialise ZolpiMist throughout Australia, with an option to commercialise the product in New Zealand. SUDA is delighted to be working with STADA, a global pharmaceutical company, to bring to market SUDA's first commercial product. This is a significant milestone for the Company, and we are excited for that to happen in 2022.

We continued to make progress with our anagrelide program, contracting the services of the global formulation development group, MedPharm to assist with the stabilisation of our formulation. We also appointed two outstanding individuals to the anagrelide Scientific Advisory Board, Professor Gunnar Birgegård from the University of Uppsala, Sweden and Dr Anil K. Sood from University of Texas MD Anderson Cancer Center in the United States. We are pleased to have such esteemed individuals involved in what we believe is a unique way to take on the treatment of cancer.

The Company is currently well capitalised thanks to the support of our existing and new investors, raising \$10.5 million dollars over the course of the year. Each capital raise was oversubscribed and we would like to thank all of our investors and welcome those that joined SUDA's register.

In addition, I would like to thank all of our stakeholders for their continued support over what we believe has been a transformative year for the Company. We remain committed to ensuring that the Company is positioned for growth and are excited to build on the fundamental value of our unique platforms.

SUDA has been extremely well led by Dr Michael Baker during the year, and on behalf of the Board I thank Michael for his sterling efforts and those of our SUDA staff.



A handwritten signature in blue ink, appearing to read 'Paul Hopper'.

**Paul Hopper**  
**Chairman, SUDA Pharmaceuticals Limited**  
**30 September 2021**

# REVIEW OF OPERATIONS AND ACTIVITIES

SUDA Pharmaceuticals Ltd (SUDA) is pleased to announce its financial results for the year ended 30 June 2021:

## HIGHLIGHTS

- Revenue of \$257,347
- TGA approval received for ZolpiMist® product
- Australian patent granted for anagrelide
- Two new SAB members added for the anagrelide program
- MedPharm contracted to assist with the development of the anagrelide oral spray formulation
- Acquired the licence to a novel invariant natural Killer T cell platform from Imperial College London

## FINANCIAL REVIEW

The revenue for the financial year ended 30 June 2021 was \$257,347 (2020: \$532,690). The loss for the year was \$5,047,465 (2020: \$9,935,595) after an impairment loss for its Sildenafil and Duromist of \$1,239,467 and anticipated research & development income of \$524,042.

The Group's net assets increased from \$4,135,420 to \$8,981,683 at 30 June 2021 with cash reserves of \$6,717,198 (2020: \$977,472).

## SIGNIFICANT EVENTS

The significant events during the year ended 30 June 2021 were:

### (I) TGA APPROVAL GRANTED FOR SUDA'S MOST ADVANCED PRODUCT, ZOLPIMIST®

SUDA submitted a Marketing Authorisation Application (MAA) to the Therapeutic Goods Administration (TGA) for ZolpiMist in April 2019. Completion of the TGA review was expected in Q4 2020, following an amendment to the TGA submission to register a supplemental active pharmaceutical ingredient (API) supplier and final product manufacturer. On 29 July 2020, SUDA received notification from the TGA of approval of the registration of the Company's lead product ZolpiMist (zolpidem tartrate) for the treatment of short-term insomnia in adults.

The benefits of TGA approval are:

- ZolpiMist is now included on the Australian Register of Therapeutic Goods and can be commercialised and supplied within Australia;
- It demonstrates SUDA's compliance with Good Manufacturing Practice (GMP) and an ability to obtain regulatory approvals for its products; and
- It will assist SUDA's current partners with their regulatory submissions and commercialization efforts in their territories.

### (II) THE AUSTRALIAN PATENT OFFICE GRANTED SUDA'S PATENT COVERING ANAGRELIDE USE FOR THE TREATMENT OF METASTATIC DISEASE

The Australian Patent Office granted SUDA's Application No. 2015370666 titled "Prevention and Treatment of Metastatic Disease in Thrombocytotic Cancer Patients". The patent has an expiry date of December 2035. This adds to the granted patents that SUDA already has in place for Europe and Japan. SUDA continues to actively prosecute the filings in additional territories such as the United States and China.

**(III) SUDA COMPLETED A CANINE PHARMACOKINETIC STUDY THAT SUPPORTED THE HYPOTHESIS THAT AN ORAL SPRAY MAY PROVIDE A SAFER ROUTE OF ADMINISTRATION OF ANAGRELIDE TO TREAT CANCER PATIENTS.**

On 22 September 2020, SUDA received the final report for a canine pharmacokinetic study completed at Covance Inc., Harrogate.

Three carefully selected experimental oral spray formulations of anagrelide were compared with the commercial capsule form of the drug, Xagrid™. The objective of the study was to compare plasma levels of anagrelide and its cardiostimulatory metabolite following administration of the oral spray formulations with those after dosing with the capsule. The study enabled SUDA to test the hypothesis that an oral spray could provide a safer route of administration for anagrelide in treating metastatic disease in cancer patients by reducing exposure to the cardiostimulatory metabolite, 3-hydroxy anagrelide.

One of the oral spray formulations tested (formulation SS-101) displayed a statistically significant increase in bioavailability of 43%, over the capsule form of the drug. Importantly, formulation SS-101 showed an increase of only 28% in exposure to the cardiostimulatory metabolite relative to the capsule formulation. According to Covance Inc., this provides evidence that a proportion of the drug from formulation SS-101 reaches the bloodstream by crossing the lining of the cheek.

The magnitude of the differential between the increase in bioavailability of the parent drug and the cardiostimulatory metabolite (43% of parent drug versus 28% of the metabolite) was unique to formulation SS-101 and suggests that a lower dose of anagrelide could be administered to cancer patients, which would result in a relative reduction in patient exposure to the cardiostimulatory intermediate.

None of the formulations tested displayed negative cardiostimulatory effects. Upon visual assessment, no irritation of the lining of the cheek was evident following administration of any of the oral spray formulations.

**(IV) SUDA APPOINTED TWO NEW SCIENTIFIC ADVISORY BOARD MEMBERS FOR THE ANAGRELIDE PROGRAM**

SUDA appointed two new members to its scientific advisory board for its anagrelide project, Dr Anil K. Sood and Professor Gunnar Birgegård.

Dr. Anil K. Sood is Professor and Vice Chair for Translational Research in the Departments of Gynecologic Oncology and Cancer Biology and co-director of the Center for RNA Interference and Non-Coding RNA at The University of Texas MD Anderson Cancer Center. He is also Director of the multi-disciplinary Blanton-Davis Ovarian Cancer Research Program. Dr. Sood co-leads the Ovarian Cancer Moon Shot Program.

Dr. Sood was the lead investigator in a seminal publication that was published in the New England Journal of Medicine, describing the role that platelets play in ovarian cancer in relation to reducing patient survival.

Professor Gunnar Birgegård, MD, PhD, is professor of Haematology at Uppsala University, Uppsala, Sweden. He was Chairman of the Nordic Study Group for Myeloproliferative disorders and is currently involved with studies on platelet reduction therapy with anagrelide and interferon. He is also a member of Leukemia Network Work Package 9 on Myeloproliferative disorders.

Professor Birgegård has been involved in studies analysing the clinical use of anagrelide for the treatment of Essential Thrombocythemia and other Myeloproliferative Neoplasms.

**(V) SUDA CONTRACTED MEDPHARM TO STABILISE THE ORAL SPRAY FORMULATION OF ANAGRELIDE**

SUDA contracted the services of MedPharm, who are performing formulation development work to assist in stabilising and optimising the oral spray formulation for anagrelide.

MedPharm is a world-leading Contract Development and Manufacturing Organisation (CDMO) that focus on topical and transdermal product design and development services. The team at MedPharm have been involved in the development of over 55 approved products.

**(VI) OROMIST PROJECT UPDATES**

SUDA continues to work with Strides to develop an oral spray formulation of sumatriptan for the treatment of migraine, Cann pharma Australia to develop an oral spray formulation of pharmaceutical-grade cannabinoid derivatives for a number of conditions including drug resistant epilepsy and Sanofi, working with one of their selected active ingredients.

Laboratorios Ordesa S.L. elected not to proceed with further work or exercise their option to progress from a feasibility study into full development of a consumer product for the paediatric market. In addition, Zelira Therapeutics elected not to proceed with further work and exercise their option to progress from a feasibility study into a global development and licensing agreement.

Mitsubishi Tanabe Pharma Singapore Pte Ltd (MTPS) indicated their intention not to proceed with the License and Supply Agreement for ZolpiMist. MTPS cited a change in business strategy across the ASEAN region as their primary reason not to proceed with the License and Supply agreement. SUDA agreed to terminate the Agreement and there was no impact on SUDA revenue streams.

**(VII) SUDA SECURED A GLOBAL, EXCLUSIVE LICENCE TO A NOVEL iNKT CELL THERAPY PLATFORM**

On June 18, 2020, SUDA announced that it secured a global, exclusive licence for an invariant natural killer T (iNKT) cell therapy platform from Imperial College London. SUDA's new iNKT cell therapy platform, currently in the preclinical stages and developed by Professor Anastasios Karadimitris at Imperial College London, has been under development for several years. The iNKT cell therapy platform can be used in conjunction with chimeric antigen receptors (CARs) to treat various blood cancers.

The iNKT cell therapy platform is a cellular therapy, which is a type of cancer treatment that harnesses the immune system to treat cancer. Such treatments have ushered in an exciting era in the battle against cancer, with several products resulting in a complete cure for some patients. Still, a limitation for currently approved products is that the cell therapy must be manufactured from a patient's own cells, making the process cumbersome and costly.

Research from Professor Karadimitris' lab has shown that iNKT cells are protective against graft versus host disease (GVHD). This provides a critical advantage that the iNKT cell platform may be used off-the-shelf, meaning that the cells can be isolated from a healthy donor, modified to enhance their activity against cancer and stored frozen, ready to be administered to cancer patients as needed.

The work from Professor Karadimitris demonstrates that the natural properties of iNKT cells allow them to target cancer cells. iNKT cells can be further modified to arm them with a CAR, and CAR-iNKT cells have two ways to recognise, attach to, and destroy cancer cells making them dual targeting. In preclinical studies, CAR-iNKT cells have shown superior activity relative to conventional cell therapies in eradicating cancer cells and extending tumour-free survival. CAR19-iNKT cells are being developed for the treatment of CD19 expressing cancers, including non-Hodgkin's lymphoma.

SUDA is the only ASX listed company that is developing cancer treatments using the iNKT cell therapy platform.

**(VIII) PERSONNEL CHANGES**

On 18 January 2021 and following a review of operations, SUDA increased the efficiency of the team. The Chief Technical Officer role was assumed by SUDA's GM, Tony Macintyre and SUDA's CEO and MD, Dr Michael Baker.

During the year, SUDA also appointed Peter O'Byrne (Quality Assurance), Malar Armugam (Program Manager) and Phillip Hains was appointed as the Company Secretary.

**(IX) SUDA RAISED \$10.5 MILLION DURING THE FINANCIAL YEAR THROUGH SHARE ISSUES, INCLUDING THE FOLLOWING:**

- SUDA closed its 1 for 1 non-renounceable entitlement offer 29 July 2020, to raise \$3.56 million. Due to overwhelming demand, SUDA raised an additional \$0.5 million by placement to sophisticated investors.
- In December 2020, SUDA raised \$2.76 million through placement to professional and sophisticated investors. The placement was oversubscribed and the SUDA directors participated in the capital raise, contributing \$40,000.
- In June 2021, SUDA raised \$3.65 million by placement to sophisticated and institutional investors. The placement was heavily oversubscribed and priced at a premium to the closing price of shares on 17 June 2021 (the last trading day before announcing the Offer).



## DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of SUDA Pharmaceuticals Limited ("SUDA" or "Company") and the entities it controlled during the period for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

### DIRECTORS

The names of Directors 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.

- Mr. Paul Hopper
- Mr. David Simmonds
- Mr. David Phillips
- Dr. Michael Baker
- Dr. Debora Barton (appointed 10 August 2021)

### INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

#### MR PAUL HOPPER - NON-EXECUTIVE CHAIRMAN

<b>APPOINTED TO THE BOARD</b>	15 May 2019
<b>QUALIFICATIONS</b>	Bachelor of Arts (UNSW), Diploma - Securities Institute of Australia
<b>EXPERIENCE AND EXPERTISE</b>	Mr Hopper has over 20 years' experience in the management and funding of biotechnology and healthcare public companies both as Chief Executive Officer and director in Australia and the United States. Mr Hopper's sector experience has covered a number of therapeutic areas with a particular emphasis on immunotherapy and cancer vaccines. He also has extensive capital markets experience in equity and debt raisings in Australia, Asia, Europe, and the United States.
<b>OTHER CURRENT DIRECTORSHIPS</b>	Radiopharm Theranostics Limited, since 11 February 2021 Chimeric Therapeutics Limited (ASX: CHM), since 2 February 2020 Imugene Limited (ASX; IMU), since 31 October 2012 Scopus BioPharma Inc (New York) [Stat3 technology] (NASDAQ: SCPS), since December 2020
<b>FORMER DIRECTORSHIPS IN LAST 3 YEARS</b>	Prescient Therapeutics Ltd (ASX: PTX), until 2 January 2020
<b>COMMITTEES</b>	Chair of the Board Member of the Audit and Risk Committee Member of the Nomination Committee Chair of the HR & Remuneration Committee

**MR DAVID SIMMONDS - NON-EXECUTIVE DIRECTOR**

<b>APPOINTED TO THE BOARD</b>	27 March 2019
<b>QUALIFICATIONS</b>	Bachelor of Economics, Associate Member of the Chartered Accountants Australia and New Zealand
<b>EXPERIENCE AND EXPERTISE</b>	David was a senior audit partner with Ernst & Young from 1989 to 2017. From 2008 to 2013, David led the Capital Markets desk in Australia with responsibility for overseeing or reviewing all Australian cross border fundraisings. As an audit partner, David was involved in several high-profile businesses including Ramsay Health Care Ltd, John Fairfax Holdings and Commonwealth Bank of Australia and also was audit partner for the Australian operations of the leading US technology companies Hewlett Packard, Sun Microsystems and Oracle. David was a member of the Board and chaired the Audit, Risk and Finance Committee of MS Research Australia, the largest national not-for-profit body dedicated to funding and coordinating multiple sclerosis research in Australia.
<b>OTHER CURRENT DIRECTORSHIPS</b>	None
<b>FORMER DIRECTORSHIPS IN LAST 3 YEARS</b>	None
<b>COMMITTEES</b>	Chair of the Audit and Risk Committee Chair of the Nomination Committee, Member of the HR & Remuneration Committee

**MR DAVID PHILLIPS - EXECUTIVE DIRECTOR**

<b>APPOINTED TO THE BOARD</b>	6 April 2018
<b>QUALIFICATIONS</b>	Bachelor of Science (Hons) Pharmacology, Diploma in Marketing, Member of the Chartered Institute of Marketing until August 2016 and former Member of the Institute of Directors.
<b>EXPERIENCE AND EXPERTISE</b>	Mr Phillips joined the board in April 2018 as a Non-Executive Director before moving to an Executive Director in 2019. Mr Phillips has 35 years' experience in the healthcare industry, 23 of which were with Glaxo Wellcome and then GSK. After Glaxo Wellcome Mr Phillips spent 12 years at board level including chief business officer roles at Argenta Discovery, The Automation Partnership and BioFocus (Galapagos NV). Mr Phillips re-joined GSK as Managing Partner in the corporate venture arm SR One in 2008 to pioneer a new function to incubate and spin-out technologies from GSK and in parallel investing in early-stage life science companies. At SR One, Mr Phillips was a member of the Investment Committee and was involved in over 40 investments. Mr Phillips has been responsible for over 50 pharma/biotech deals and 10 M&A transactions. He leads the business development activities.
<b>OTHER CURRENT DIRECTORSHIPS</b>	None
<b>FORMER DIRECTORSHIPS IN LAST 3 YEARS</b>	None
<b>COMMITTEES</b>	Member of the Audit and Risk Committee Member of the Nomination Committee Member of the HR & Remuneration Committee

**DR MICHAEL BAKER - CEO AND MANAGING DIRECTOR**

<b>APPOINTED TO THE BOARD</b>	1 July 2020
<b>QUALIFICATIONS</b>	Ph.D. Biochemistry, Master of Business Administration
<b>EXPERIENCE AND EXPERTISE</b>	Dr Baker has over 15 years of experience in scientific research, drug development and venture investing. He was an Investment Manager with leading Australian life science fund, BioScience Managers, responsible for deal sourcing from networks, conferences, universities and research institutes. He also conducted due diligence to shortlist investment opportunities and played an active role in managing portfolio companies.
<b>OTHER CURRENT DIRECTORSHIPS</b>	None
<b>FORMER DIRECTORSHIPS IN LAST 3 YEARS</b>	None
<b>COMMITTEES</b>	Member of the Audit and Risk Committee Member of the Nomination Committee Member of the HR & Remuneration Committee

**DR DEBORA BARTON - NON-EXECUTIVE DIRECTOR**

<b>APPOINTED TO THE BOARD</b>	10 August 2021
<b>QUALIFICATIONS</b>	MD, Board Certified Medical Oncologist
<b>EXPERIENCE AND EXPERTISE</b>	Dr Barton has over 20 years of oncology experience, which includes 9 years of clinical management of oncology patients and enrolling patients in clinical trials in academia. In the pharmaceutical industry, she has experience in medical affairs and clinical development, including regulatory interactions in the USA, Europe, Australia, and several countries around the world. She has accomplished an innovative oncology product submission and subsequent marketing authorisation in the US and Europe, and has built innovative clinical development plans coupled with clinical/safety teams' infrastructure in small biotech.
<b>OTHER CURRENT DIRECTORSHIPS</b>	None
<b>FORMER DIRECTORSHIPS IN LAST 3 YEARS</b>	None
<b>COMMITTEES</b>	None

**COMPANY SECRETARY**

Mr Phillip Hains was appointed as company secretary on 1 July 2020. Mr Hains is a Chartered Accountant operating a specialist public practice, The CFO Solution. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 30 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT University and a Public Practice Certificate from the Chartered Accountants Australia and New Zealand.

## PRINCIPAL ACTIVITIES

The principal activity of the entities within the Group during the year was pharmaceutical development and to acquire new platforms that align with the Company's two focus areas, oncology and conditions that affect the central nervous system.

## REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 6 - 8 of this annual report.

A summary of consolidated revenue and results for the year are set out below:

	Revenue		Net loss	
	2021	2020	2021	2020
Consolidated	\$	\$	\$	\$
Group	257,347	532,690	5,047,465	9,935,595

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the Company filed company deregistration for the following subsidiaries:

- Eastland CN Nominees Pty Ltd
- SUD 18 Pty Ltd
- Malaria Research Company Pty Ltd
- Suda Europe Ltd

There is no other significant change in the state of affairs the Company during the reporting period, other than as set out in this report.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

The following occurred after the Balance Date:

- An external consultant has been granted 3,860,000 options on 18 June 2021 and these options were subsequently issued on 13 July 2021.  
Vesting conditions and expiry dates of these options are:
  - 1,286,667 unlisted options exercisable at \$0.0570, expiring: 30 June 2022
  - 1,286,667 unlisted options exercisable at \$0.0611, expiring: 30 June 2023
  - 1,286,666 unlisted options exercisable at \$0.0650, expiring: 30 June 2024
- On 10 August 2021, Dr Debora Barton was appointed as a Non-Executive Director of the Company.

There has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments in the Group's operations, to the extent that such matters can be commented upon, are covered within the review of operations and activities on pages 6 to 8 of this annual report.

## ENVIRONMENTAL REGULATION

The Group is currently not subject to any significant environmental legislation.

## DIVIDENDS - SUDA PHARMACEUTICALS LIMITED

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

## INTERESTS IN THE SHARES, OPTIONS AND CONVERTIBLE NOTES 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 30 June 2021:

Name of officer	Number of fully paid ordinary shares	Number of listed options over ordinary shares	Number of unlisted options over ordinary shares
Paul Hopper	1,350,225	93,334	1,600,000
David Phillips	138,889	-	-
David Simmonds	250,000	-	-
Michael Baker (appointed 1 July 2020)	816,667	-	2,800,000
Debora Barton (appointed 10 August 2021)	-	-	-

## MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Director	Director Meetings		Risk and Audit Committee		HR and Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Mr. Paul Hopper	11	12	2	2	1	1	1	1
Mr. David Phillips	12	12	2	2	1	1	1	1
Mr. David Simmonds	12	12	2	2	1	1	1	1
Dr. Michael Baker	12	12	2	2	1	1	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

## REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of SUDA Pharmaceuticals Limited (the "Company") 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 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 Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

### (A) KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

#### DIRECTORS

Paul Hopper	Non-Executive Chairman
David Simmonds	Non-Executive Director
David Phillips	Executive Director
Dr Michael Baker	CEO and Managing Director (CEO appointed to Managing Director on 1 July 2020)

#### EXECUTIVES

Dr Carol Worth	Chief Technical Officer (resigned 15 January 2021)
Joseph Ohayon	Chief Financial Officer (resigned 25 September 2020, resigned as Company Secretary on 18 August 2020)

### (B) REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

### (C) HR & REMUNERATION COMMITTEE

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

### (D) REMUNERATION STRUCTURE

The HR & Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the executive team.

The HR & Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

### (E) RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The methods implemented are discussed below.

Consolidated	2021	2020	2019	2018	2017
Revenue	257,347	532,690	1,219,083	425,864	495,029
Net loss	(5,047,465)	(9,935,595)	(7,795,039)	(5,459,278)	(1,238,309)
Share price at year-end	0.057	0.031	0.003	0.008	0.019
Market capitalisation (\$ mil)	27.41	4.41	10.67	9.89	23.17

**(F) NON-EXECUTIVE DIRECTOR REMUNERATION**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company may offer options to Non-Executive Directors as part of their remuneration package.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 25 November 2010 when shareholders approved an aggregate remuneration of \$200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a director of the Company.

**(G) SENIOR MANAGEMENT AND EXECUTIVE DIRECTOR REMUNERATION**

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

**(I) FIXED ANNUAL REMUNERATION (FR)**

Fixed remuneration is reviewed annually by the HR & Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration component of the key management personnel is detailed in the table on page 17.

**(II) VARIABLE REMUNERATION**

The Directors considered that it was desirable to establish various employee incentive plans, in order to:

- reward employees of the Company;
- assist in the retention and motivation of employees of the Company; and
- provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

Accordingly, on 26 September 2017, and as ratified at the Annual General Meeting held on 28 November 2017, the Directors adopted the following:

- (a) Employee Share Option Plan (Option Plan) under which Directors, executives, consultants and other employees may be offered the opportunity to be granted Options (Executive Long Term Incentive Plan);
- (b) Tax Exempt Plan under which eligible employees may be issued up to \$1,000 of Shares.

The plans are designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company's success. Under the current circumstances the Directors consider that the incentive plans are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as increased cash-based remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The plans are designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

The maximum number of proposed ESOP securities was passed in the Extraordinary General Meeting held on 29 January 2021 for 15,341,795 securities within a three year period from 29 January 2021.

**(III) SHORT-TERM INCENTIVES**

The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met.

Aspect	Plan Rules, Offers and Comments
<b>MEASUREMENT PERIOD</b>	The Company's financial year, i.e. from 1 July to the following 30 June, with a review after 6 months.
<b>ELIGIBLE PARTICIPANTS</b>	All senior management and all staff
<b>PERFORMANCE CONDITIONS</b>	Linked to continuous employment and performance milestones
<b>AWARD OPPORTUNITIES</b>	Senior management and staff are eligible for bonus payments of up to 10% of base salary. The CEO is eligible for a bonus payment of up to 33% of salary.

**(IV) LONG-TERM INCENTIVES**

Aspect	Plan Rules, Offers and Comments
<b>LTI OFFER</b>	Options were offered under the Plan during the financial year with the relevant policies and Plan rules.
<b>ELIGIBLE PARTICIPANTS</b>	Executive directors, non-executive directors, senior management and consultants are eligible for the LTI.
<b>PERFORMANCE CONDITIONS FOR EXECUTIVE DIRECTORS</b>	The performance conditions are linked to continuous employment.
<b>PERFORMANCE CONDITIONS FOR NON-EXECUTIVE DIRECTORS</b>	The Directors are of the opinion that the performance conditions of Options should be linked continuous employment.
<b>TERMS OF OPTIONS</b>	Each Option will be granted to eligible employees under the Option Plan for nil consideration. The exercise price and other terms of an Option shall be determined by the Board in its discretion.
<b>VESTING</b>	The Options will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
<b>CASHLESS EXERCISE FACILITY</b>	Participants may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise (Cashless Exercise Facility). By using the Cashless Exercise Facility, the participant will receive Shares to the value of the surplus after the exercise price has been set off.
<b>DISPOSAL RESTRICTIONS</b>	A participant may not transfer an Option granted under the Option Plan without the prior consent of the Board.

The aggregate of annual payments available for executives across the Company is subject to the approval of the HR & Remuneration Committee.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.



**(H) EMPLOYMENT CONTRACTS**

The details of the Directors' employment contracts are:

<b>Directors</b>	<b>Period of notice</b>
Paul Hopper	Nil
David Phillips	1 month
David Simmonds	Nil
Michael Baker	3 months

The employment contracts are ongoing and there are no termination payments provided for under the contracts.

**(I) REMUNERATION EXPENSES FOR KMP**

	<b>Short-term employee benefits</b>		<b>Post-employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
	<b>Cash salary and fees</b>	<b>Bonus</b>	<b>Super-annuation</b>		
<b>2021</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Directors</b>					
Paul Hopper	80,000	-	-	8,508	88,508
David Simmonds	40,000	-	3,800	-	43,800
David Phillips <sup>1</sup>	190,000	-	3,800	-	193,800
Michael Baker <sup>2</sup>	275,000	75,000	26,125	26,637	402,762
<b>Other key management personnel</b>					
Carol Worth <sup>4</sup> (resigned 15 January 2021)	148,780	-	9,530	-	158,310
Joseph Ohayon <sup>3</sup> (resigned 25 September 2020)	96,830	20,000	4,420	-	121,250
<b>Total key management personnel compensation</b>	<b>830,610</b>	<b>95,000</b>	<b>47,675</b>	<b>35,145</b>	<b>1,008,430</b>

- <sup>1</sup> In 2021 David Phillips received \$40,000 in director fees and \$150,000 for consulting services in relation to his role as VP Business Development.
- <sup>2</sup> Dr Michael Baker appointed as Managing Director effective 1 July 2020. He was entitled to \$75,000 bonus payable as at 30 June 2021 and was paid in September 2021.
- <sup>3</sup> During the year, Joseph Ohayon was paid a cash bonus of \$20,000. Upon his resignation on 25 September 2020, his pay includes pay-out of his accrued leave entitlements.
- <sup>4</sup> Dr Carol Worth resigned on 15 January 2021. Upon her resignation, her pay includes pay-out of her accrued leave entitlements.

## (I) REMUNERATION EXPENSES FOR KMP (CONTINUED)

	Short-term employee benefits		Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Super-annuation		
2020	\$	\$	\$	\$	\$
<b>Directors</b>					
Paul Hopper <sup>5</sup>	133,842	-	-	23,916	157,758
David Simmonds	40,000	-	3,800	-	43,800
David Phillips <sup>1</sup>	190,000	-	3,800	-	193,800
Stephen Carter <sup>4</sup> (resigned 23 September 2019)	77,626	194,028	14,749	-	286,403
<b>Other key management personnel</b>					
Carol Worth	160,000	-	15,200	-	175,200
Joseph Ohayon	195,000	-	18,525	-	213,525
Michael Baker <sup>2</sup> (appointed 2 January 2020)	124,328	53,625	11,811	69,611	259,375
Andrew Curtis <sup>3</sup> (resigned 7 December 2019)	249,144	15,355	-	-	264,499
<b>Total key management personnel compensation</b>	<b>1,169,940</b>	<b>263,008</b>	<b>67,885</b>	<b>93,527</b>	<b>1,594,360</b>

1. In 2020 David Phillips received \$40,000 in director fees and \$150,000 for consulting services in relation to his role as Chief Business Officer.
2. Dr Michael Baker was entitled to \$53,625 bonus payable as at 30 June 2020 and was paid in August 2020.
3. In 2020, \$15,355 relates to health benefits paid in the US for Andrew Curtis.
4. Stephen Carter resigned on 23 September 2019. He was entitled to a termination benefit of \$194,028.
5. Remuneration includes amounts received by Paul Hopper while he received as executive role during the year following the resignation of Stephen Carter and until Michael Baker was appointed.

**(I) REMUNERATION EXPENSES FOR KMP (CONTINUED)**

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense above:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
	%	%	%	%	%	%
<b>Directors</b>						
Paul Hopper	90	85	-	-	10	15
David Simmonds	100	100	-	-	-	-
David Phillips	100	100	-	-	-	-
Michael Baker	75	52	18	21	7	27
Stephen Carter (resigned 23 September 2019)	-	100	-	-	-	-
<b>Other key management personnel</b>						
Joseph Ohayon (resigned 25 September 2020)	84	100	16	-	-	-
Carol Worth (resigned 15 January 2021)	100	100	-	-	-	-
Andrew Curtis (resigned 7 December 2019)	-	100	-	-	-	-

**(J) OPTIONS ON ISSUE DURING THE FINANCIAL YEAR**

	Number	Option grant date	Expiry date	Grant date fair value	Vesting date
Unlisted options	240,000	31 Jan 2019	30 Jan 2022	\$12,446.00	Note 1
Unlisted options	1,600,000	12 Nov 2019	14 May 2023	\$55,979.00	Note 1, 2
Unlisted options	2,800,000	2 Jan 2020	1 Jan 2024	\$108,663.00	Note 1, 3
Unlisted options	4,000,000	5 Aug 2020	31 Dec 2022	\$108,452.00	Note 1
Unlisted options	2,209,218	16 Dec 2020	3 Mar 2021	\$42,014.00	Note 1
<b>Total</b>	<b>10,849,218</b>			<b>\$327,554.00</b>	

- For details on the valuation of the options, including models and assumptions used, please refer to Note 20.
- Share-based payments granted as compensation to Paul Hopper. Vesting conditions and expiry dates of options are:
  - 520,000 unlisted options exercisable at \$0.1475, expiring: 14 May 2022
  - 520,000 unlisted options exercisable at \$0.1575, expiring: 14 May 2022
  - 560,000 unlisted options exercisable at \$0.1675, vesting after 14 May 2021 and expiring: 14 May 2022
- Share-based payments granted as compensation to Michael Baker. Vesting conditions and expiry dates of options are:
  - 1,200,000 unlisted options exercisable at \$0.0870, expiring: 1 January 2024
  - 800,000 unlisted options exercisable at \$0.0930, vesting after 30 June 2021 and expiring: 1 January 2024
  - 800,000 unlisted options exercisable at \$0.0990, vesting after 30 June 2022 and expiring: 1 January 2024

	Number	Option grant date	Expiry date	Grant date fair value	Vesting date
Listed options	47,418,378	5 Aug 2020	31 Jul 2022	\$0.00	Note 4

- On 5 August 2020, the Group issued a total of 47,418,378 free-attaching options at one new option for every three new shares issued, each with an exercise price of \$0.0500, expiring on 31 July 2022. These options were issued as part of a capital raising initiative by the Group.

**(K) BONUSES**

Dr Michael Baker was granted a performance bonus of \$75,000 in relation to financial year 2021 and included in the remuneration disclosure for 2021. It was paid in September 2021.

Joseph Ohayon was granted a cash bonus of \$20,000 in relation to financial year 2020 and included in the remuneration disclosure for 2021. It was paid in August 2020.

**(L) SHARE-BASED PAYMENTS GRANTED AS COMPENSATION TO KEY MANAGEMENT PERSONNEL**

The share-based payments granted as compensation to key management personnel are listed above with options grant dates of 31 January 2019, 12 November 2019 and 2 January 2020.

**(M) OPTIONS GRANTED, EXERCISED OR LAPSED DURING THE YEAR**

During the year, there were no options granted, exercised or lapsed for the key management personnel.

**(N) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL**

2021	Balance at the start of the year	Granted as remuneration	On Exercise of Options or conversion of convertible note	Other changes <sup>1</sup>	Balance at the end of the year
Paul Hopper	280,000	-	-	1,070,225	1,350,225
David Simmonds	-	-	-	250,000	250,000
David Phillips	-	-	-	138,889	138,889
Michael Baker	-	-	-	816,667	816,667
Carol Worth (resigned 15 January 2021)	3,200	-	-	(3,200)	-
Joseph Ohayon (resigned 18 August 2020)	237,267	-	-	(237,267)	-
<b>Total</b>	<b>520,467</b>	<b>-</b>	<b>-</b>	<b>2,035,314</b>	<b>2,555,781</b>

1. Other changes include those that have been purchased through market and those that ceased to be Key Management Personnel.

2020	Balance at the start of the year	Granted as remuneration	On Exercise of Options or conversion of convertible note	Other changes <sup>1</sup>	Balance at the end of the year
Paul Hopper	1,000,000	-	-	(720,000)	280,000
David Simmonds	-	-	-	-	-
David Phillips	-	-	-	-	-
Michael Baker (appointed 2 January 2020)	-	-	-	-	-
Steven Carter (resigned 23 September 2019)	18,088,889	-	-	(18,088,889)	-
Joseph Ohayon (resigned 18 August 2020)	5,931,664	-	-	(5,694,397)	237,267
Carol Worth (resigned 15 January 2021)	80,000	-	-	(76,800)	3,200
Andrew Curtis (resigned 7 December 2019)	-	-	-	-	-
<b>Total</b>	<b>25,100,553</b>	<b>-</b>	<b>-</b>	<b>(24,580,086)</b>	<b>520,467</b>

1. Other changes include the consolidation of share capital and options on a one (1) for twenty-five (25) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019. It also includes those that have been purchased through market and those that ceased to be Key Management Personnel.

**(O) OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL**

2021	Balance at the start of the year	Granted as compensation	Exercised	Other changes <sup>1</sup>	Balance at the end of the year	Vested and exercisable	Options vested during the year
Paul Hopper	1,600,000	-	-	93,334	1,693,334	1,693,334	560,000
David Simmonds	-	-	-	-	-	-	-
David Phillips	-	-	-	-	-	-	-
Michael Baker	2,800,000	-	-	-	2,800,000	2,000,000	800,000
Carol Worth (resigned 15 January 2021)	800	-	-	(800)	-	-	-
Joseph Ohayon (resigned 25 September 2020)	268,633	-	-	(268,633)	-	-	-
<b>Total</b>	<b>4,669,433</b>	<b>-</b>	<b>-</b>	<b>(176,099)</b>	<b>4,493,334</b>	<b>3,693,334</b>	<b>1,360,000</b>

1. Other changes include those that have been purchased through market and those that ceased to be Key Management Personnel.

2020	Balance at the start of the year	Granted as compensation	Exercised	Other changes <sup>1</sup>	Balance at the end of the year	Vested and exercisable	Options vested during the year
Paul Hopper	-	-	-	1,600,000	1,600,000	1,040,000	520,000
David Simmonds	-	-	-	-	-	-	-
David Phillips	-	-	-	-	-	-	-
Stephen Carter (resigned 23 September 2019)	15,844,443	-	-	(15,844,443)	-	-	-
Michael Baker <sup>2</sup> (appointed 2 January 2020)	-	2,800,000	-	-	2,800,000	1,200,000	1,200,000
Carol Worth (resigned 15 January 2021)	20,000	-	-	(19,200)	800	800	-
Joseph Ohayon (resigned 25 September 2020)	6,715,832	-	-	(6,447,199)	268,633	108,633	-
Andrew Curtis (resigned 7 December 2019)	-	-	-	-	-	-	-
<b>Total</b>	<b>22,580,275</b>	<b>2,800,000</b>	<b>-</b>	<b>(20,710,842)</b>	<b>4,669,433</b>	<b>2,349,433</b>	<b>1,720,000</b>

1. Other changes include the consolidation of share capital and options on a one (1) for twenty-five (25) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019. It also includes those that have been purchased through market and those that ceased to be Key Management Personnel.
2. Dr Michael Baker was appointed CEO on 2 January 2020. He was assigned 2,800,000 one-off unlisted 4-year options on the commencement date of employment. Options were issued subject to the terms and conditions of the Company's Employee Share Option Plan (ESOP).

**(P) TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL**

	Consolidated	
	2021 \$	2020 \$
Mr Paul Hopper - exclusivity fee in relation to independent transaction committee to assess acquisition during the year	-	75,000
Mr David Phillips – consulting fees payable <sup>1</sup>	11,000	16,500
Dr Michael Baker - bonus payable <sup>2</sup>	75,000	53,625
	<b>86,000</b>	<b>145,125</b>

1. Consulting fees payable to Mr David Phillips was paid in July 2021 (2020: paid in July 2020).
2. Bonus payable to Dr Michael Baker was paid in September 2021 (2020: paid in August 2020).

**END OF REMUNERATION REPORT****INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties 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.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on the following page and forms part of this directors' report for the year ended 30 June 2021.

This report is made in accordance with a resolution of Directors.



Mr. Paul Hopper  
Director

30 September 2021

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Suda Pharmaceuticals Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



**Perth, Western Australia**  
**30 September 2021**

**L Di Giallonardo**  
**Partner**

**h**l**b.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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

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## CORPORATE GOVERNANCE STATEMENT

SUDA and the Board of Directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices and Corporate Governance Statement can be found on the Company's website, [www.sudapharma.com](http://www.sudapharma.com) under the About Us section. All these practices, unless otherwise stated, were in place for the entire year and comply with ASX Corporate Governance Principles and Recommendations and are contained in the Appendix 4G for the year ended 30 June 2021.

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated	
		2021	Restated 2020
		\$	\$
Revenue from contracts with customers	2(b)	257,347	532,690
Other income	2(c)(ii)	906,670	798,732
Interest income	2(c)(i)	6,542	43,513
Cost of sales		(222,750)	(200,969)
Employee benefits expenses		(1,306,230)	(1,373,919)
Depreciation and amortisation expense	2(c)(iii)	(652,176)	(572,379)
Impairment of intangible assets	12	(1,239,467)	(268,444)
Finance costs	2(c)(iv)	(33,294)	(21,275)
Other expenses	2(c)(v)	(2,764,107)	(3,169,135)
<b>Loss before income tax expense</b>		<b>(5,047,465)</b>	<b>(4,231,186)</b>
Income tax expense	3	-	-
<b>Loss after tax from continuing operations</b>		<b>(5,047,465)</b>	<b>(4,231,186)</b>
Loss from discontinued operations	17	-	(5,704,409)
<b>Loss from discontinued operations</b>		<b>-</b>	<b>(5,704,409)</b>
Net loss for the year		(5,047,465)	(9,935,595)
<b>Total comprehensive loss for the year</b>		<b>(5,047,465)</b>	<b>(9,935,595)</b>
		<b>Cents</b>	<b>Cents</b>
Basic/diluted loss per share (cents per share)	5(b)	(1.52)	(6.98)
Basic/diluted loss per share from continuing operations	5(b)	(1.52)	(2.97)
Basic/diluted loss per share from discontinued operations	5(b)	-	(4.01)

The above 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

	Notes	Consolidated	
		2021	Restated 2020
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6(a)	6,717,198	977,472
Trade and other receivables	7	533,637	869,168
Inventories	8	-	21,801
Other current assets	9	92,309	166,203
<b>Total current assets</b>		<b>7,343,144</b>	<b>2,034,644</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	380,903	364,587
Right-of-use assets	11	52,037	57,044
Intangible assets	12	2,911,206	4,251,222
<b>Total non-current assets</b>		<b>3,344,146</b>	<b>4,672,853</b>
<b>Total assets</b>		<b>10,687,290</b>	<b>6,707,497</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,226,899	1,434,083
Contract liabilities	2(b)	200,000	333,002
Provisions	14	191,565	174,172
Borrowings	15	5,721	12,054
Lease liabilities	11	70,772	69,166
<b>Total current liabilities</b>		<b>1,694,957</b>	<b>2,022,477</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	-	540,010
Provisions	14	7,908	5,350
Borrowings	15	2,742	4,240
<b>Total non-current liabilities</b>		<b>10,650</b>	<b>549,600</b>
<b>Total liabilities</b>		<b>1,705,607</b>	<b>2,572,077</b>
<b>Net assets</b>		<b>8,981,683</b>	<b>4,135,420</b>
<b>EQUITY</b>			
Issued capital	18	77,003,347	67,385,981
Reserves		450,686	1,629,979
Accumulated losses		(68,472,350)	(64,880,540)
<b>Total equity</b>		<b>8,981,683</b>	<b>4,135,420</b>

The above 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	Accumulated losses	Share-based payment reserve	Minority interest acquisition reserve	Total equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>67,385,981</b>	<b>(55,711,877)</b>	<b>899,117</b>	<b>1,404,267</b>	<b>13,977,488</b>
Loss for the year	-	(9,935,595)	-	-	(9,935,595)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(9,935,595)</b>	<b>-</b>	<b>-</b>	<b>(9,935,595)</b>
Equity settled share-based payments	-	-	93,527	-	93,527
Options lapsed during the period	-	766,932	(766,932)	-	-
<b>Balance at 30 June 2020</b>	<b>67,385,981</b>	<b>(64,880,540)</b>	<b>225,712</b>	<b>1,404,267</b>	<b>4,135,420</b>

	Issued capital	Accumulated losses	Share-based payment reserve	Minority interest acquisition reserve	Total equity
	\$	\$	\$	\$	\$
<b>Opening balance</b>	<b>67,385,981</b>	<b>(64,880,540)</b>	<b>225,712</b>	<b>1,404,267</b>	<b>4,135,420</b>
Loss for the year	-	(5,047,465)	-	-	(5,047,465)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(5,047,465)</b>	<b>-</b>	<b>-</b>	<b>(5,047,465)</b>
Shares issued during the year	10,580,879	-	-	-	10,580,879
Share issue costs	(963,513)	-	-	-	(963,513)
Issue of options to broker	-	-	239,025	-	239,025
Options lapsed during the year	-	51,388	(51,388)	-	-
Equity settled share-based payments	-	-	37,337	-	37,337
Reclassification of reserve to accumulated losses	-	1,404,267	-	(1,404,267)	-
<b>Balance at 30 June 2021</b>	<b>77,003,347</b>	<b>(68,472,350)</b>	<b>450,686</b>	<b>-</b>	<b>8,981,683</b>

The above 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

		Consolidated	
		2021	2020
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		124,345	952,261
Payments to suppliers and employees		(4,756,985)	(4,835,349)
Interest paid		(25,869)	(14,705)
Government grants and tax incentives		1,115,540	984,535
Interest received		5,866	33,050
Finance costs		(7,425)	(3,517)
<b>Net cash (outflow) from operating activities</b>	6(b)	<b>(3,544,528)</b>	<b>(2,883,725)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(166,107)	(141,089)
Payments for intangible assets		(348,447)	(247,333)
<b>Net cash (outflow) from investing activities</b>		<b>(514,554)</b>	<b>(388,422)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities		9,856,391	-
Principal elements of lease payments		(57,583)	(63,943)
<b>Net cash inflow /(outflow) from financing activities</b>		<b>9,798,808</b>	<b>(63,943)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>5,739,726</b>	<b>(3,336,090)</b>
Cash and cash equivalents at the beginning of the financial year		977,472	4,313,562
<b>Cash and cash equivalents at the end of the financial year</b>	6(a)	<b>6,717,198</b>	<b>977,472</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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# NOTES TO THE FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated 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 the Group consisting of Suda Pharmaceuticals Limited and its subsidiaries.

The financial statements have 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 statements are presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia and operates in Australia. The Group's principal activity is pharmaceutical development and to acquire new platforms that align with the Company's two focus areas, oncology and conditions that affect the central nervous system.

### (A) STATEMENT OF COMPLIANCE

The financial report was authorised for issue on 30 September 2021.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### (B) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

For the year ended 30 June 2021, the Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these standards has not had any impact on the disclosures or amounts reported in these financial statements.

### *NEW STANDARD AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED*

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted or effective for the year ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

### (C) CHANGES IN ACCOUNTING POLICIES

#### **GOVERNMENT GRANTS**

Transactions involving government grants received are accounted for by applying AASB 120 Government Grants.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 2(c)(ii) provides further information on how the Group accounts for government grants.

In previous periods, grants relating to R&D Tax Incentive were disclosed as part of income tax expense/benefit. During the current year, this policy was changed to disclose such grants as other income. The comparative balances have been amended to reflect this change of accounting policy.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 BASIS OF PREPARATION (CONTINUED)

#### (D) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

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.

#### IMPAIRMENT OF INTANGIBLE ASSETS

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

#### ESTIMATION OF USEFUL LIVES OF ASSETS

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### (E) GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. This includes the continued development and commercialisation of the Group's current projects.

As disclosed in the financial statements, the Group incurred a loss of \$5,047,465 (2020: \$9,935,595) and had operating cash outflows of \$3,544,528 for the year ended 30 June 2021 (2020: \$2,883,725). As at 30 June 2021, the Group held cash and cash equivalents of \$6,717,198 (2020: \$977,472). The Directors are of the opinion that the Group is a going concern for the following reasons:

- The Directors anticipate that a further equity raising will be required and will be completed in FY2022.
- Based on prior experience, the Directors are confident that they can raise additional capital if and when required.

Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern, and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. Despite these uncertainties, the Directors are of the view that the Group will be successful in the above matter and accordingly have adopted the going concern basis in the preparation of the financial report.

#### COVID-19

COVID-19 has led to widespread restrictions on both national and international travel. To date, the Company's supply chain has not been affected. Nevertheless, the risk that COVID-19 poses in terms of overwhelming health care systems must be taken into account when factoring in programs that are at the clinical stage.

As a result of the COVID-19 outbreak, or similar pandemics, the Company may experience disruptions that could severely impact the business in the following ways:

- delays or disruptions in supply chain for materials required for research and/or clinical trials;
- delays in the completion of research due to infection of key research personnel;
- delays enrolling patients into clinical trials;
- reduced ability to engage with the medical, pharmaceutical industry and investor communities due to the cancellation of conferences and travel bans, which may impact the ability to attract collaborators, potential industry partners and investors.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 BASIS OF PREPARATION (CONTINUED)

#### (F) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of SUDA Pharmaceuticals Limited and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power of the investee;
- Is exposed, or has rights, to variable returns from its involvement in with the investee; and
- Has the ability to its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non- controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

During the year, the Company has filed for company deregistration of Malaria Research Company Pty Ltd, Eastland CN Nominees Pty Ltd, Suda Europe Ltd and Suda 18 Pty Ltd. Please refer to Note 17 for further details on discontinued operations.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 REVENUE AND EXPENSES

#### (A) ACCOUNTING POLICY

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

- Step 1: Identify contract with a customer;
- Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations;
- Step 5: Recognise revenue as the performance obligations are satisfied

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed, so "point in time" recognition or "over time" as control of the performance obligation is transferred to the customer.

For contracts with multiple components to be delivered such as research and development, clinical trials and regulatory submissions, management applies judgement to consider whether those promised goods and services are:

- (i) distinct - to be accounted for as separate performance obligations;
- (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or
- (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

#### TRANSACTION PRICE

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 REVENUE AND EXPENSES (CONTINUED)

When using the output method, the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the overtime criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

#### DISAGGREGATION OF REVENUE

The Group disaggregates revenue from contracts with customers by contract type, which includes:

- (i) licence and supply agreements; and,
- (ii) research and development income as management believe this best depicts the nature, amount, timing and uncertainty of the Group's revenue and cash flows.

#### PERFORMANCE OBLIGATIONS

The nature of contracts or performance obligations categorised within this revenue type includes:

- (i) licence and supply agreements; and,
- (ii) research and development income.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are:

- (i) substantially the same and
- (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., monthly or annual services)) and therefore treats the series as one performance obligation.
- (iii) Signing of licence and supply agreements and research and development agreements. Revenues are recognised upon signing the agreements.
- (iv) Submission of regulatory applications and/or approvals by agreement partners. Revenues are recognised on submission of regulatory applications by agreement partners.
- (v) Product sales by agreement partners. Revenues in form of royalties are recognised on product sales by agreement partners.
- (vi) Completion of contract phases within research and development agreements. Revenues are recognised upon completion of contract phases within research and development agreements.
- (vii) Undertaking research and development studies and project management. Revenues are recognised as research and development studies are performed and project managed.

#### CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

As a result the contracts which the Group enters into with its customers, a number of different assets and liabilities are recognised on the Group's balance sheet. These include but are not limited to: Trade receivable; Accrued income; and Deferred income. There has been no change in the accounting policies for these assets as a result of the adoption of AASB 15.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 REVENUE AND EXPENSES (CONTINUED)

## (B) REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated	
	2021	2020
	\$	\$
<b>Sales revenue from contracts with customers</b>		
License and supply agreements and research and development projects	257,347	532,690

The Group derives its revenue from the sale of goods and the provision at services at a point in time and over time in the following major categories: (i) licence and supply agreements; and, (ii) research and development income. The Group has a balance of contract liabilities of \$200,000 for the year ended 30 June 2021 (2020: \$333,002).

	Consolidated	
	2021	2020
	\$	\$
<i>At a point in time</i>		
License and supply agreements	124,345	174,663
<i>Over time</i>		
Research and development income	133,002	358,027
<b>Total revenue</b>	<b>257,347</b>	<b>532,690</b>

## (C) OTHER INCOME AND EXPENSES

## (I) INTEREST INCOME

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

	Consolidated	
	2021	2020
	\$	\$
Interest income	6,542	43,513

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 REVENUE AND EXPENSES (CONTINUED)

## (C) OTHER INCOME AND EXPENSES (CONTINUED)

## (II) OTHER INCOME

## GOVERNMENT GRANTS

The Group's other grant income is recognised when compliance with the conditions attached to the grant have been determined and the Group has ascertained the grant will be received. For the year ended 30 June 2021, the Group has included an item in other income of \$906,670 (2020: \$798,732).

The Group recognised \$100,000 Export Market Development Grant (EMDG) (2020: \$62,850) in other income. This is a key Australian Government financial assistance program for aspiring current exporters.

In 2021, COVID-19 assistance comprises of \$37,500 "Cashflow boost for employers" measure announced as part of the Australian Government's economic stimulus package of March 2020 as well as Job keeper received of \$136,800.

In 2020, COVID-19 assistance of \$80,000 includes "Cashflow boost for employers" as well as payroll tax refunds.

	Consolidated	
	2021	Restated 2020
	\$	\$
R&D Tax Incentive <sup>1</sup>	632,370	655,882
COVID-19 assistance grant	174,300	80,000
Export Market Development Grants (EMDG)	100,000	62,850
	<b>906,670</b>	<b>798,732</b>

1. The Group's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. Amounts are recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount can be reliably measured. For the year ended 30 June 2021, the Group has included an item in other income of \$524,042 (2020: \$655,882) to recognise income over the year necessary to match the R&D tax incentive on a systematic basis with the costs that they are intended to compensate. Furthermore, the Group received an additional \$108,328 in the current financial year as part of the R&D claim for the financial year ended 30 June 2020.

## (III) DEPRECIATION AND AMORTISATION

	Consolidated	
	2021	2020
	\$	\$
Depreciation	140,482	146,910
Depreciation charge of right-of-use assets	62,698	76,065
Amortisation	448,996	349,404
	<b>652,176</b>	<b>572,379</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 REVENUE AND EXPENSES (CONTINUED)

## (C) OTHER INCOME AND EXPENSES (CONTINUED)

## (IV) FINANCE INCOME AND COSTS

	Consolidated	
	2021	2020
	\$	\$
Finance costs	7,425	6,570
Interest expense	25,869	14,705
	<b>33,294</b>	<b>21,275</b>

## (V) OTHER EXPENSES

	Consolidated	
	2021	2020
	\$	\$
Write-off of inventories	21,801	23,608
Share-based payment expense	37,337	93,527
Legal fees	59,126	319,409
Professional fees	444,321	950,113
Patent and trademark costs	281,612	249,818
Research costs	541,550	284,520
General and administrative	750,164	552,915
Investor relation costs	211,913	213,411
Audit and accounting fees	266,456	183,189
Insurances	143,959	127,813
Travel costs	5,868	170,812
<b>Total other expenses</b>	<b>2,764,107</b>	<b>3,169,135</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 INCOME TAX EXPENSE

#### (A) ACCOUNTING POLICY

Deferred income 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 income 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 income 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 income tax asset to be utilised.

Unrecognised deferred income 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 income 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.

#### TAX CONSOLIDATION LEGISLATION

SUDA and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

SUDA recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3 INCOME TAX EXPENSE (CONTINUED)

## (B) INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Consolidated	
	2021	Restated 2020
	\$	\$
Income tax expense	-	-

## (C) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	Consolidated	
	2021	Restated 2020
	\$	\$
Loss from continuing operations before income tax expense	(5,047,465)	(9,935,595)
Tax at the Australian tax rate of 26% (2020 - 27.5%)	(1,312,341)	(2,732,289)
Expenditure not allowed for income tax purposes	(159,068)	(135,250)
Research & Development Expenditure	313,221	418,602
Deferred Tax Asset(Liability) movement not brought to account	259,584	1,628,844
Deferred Tax Asset losses not brought to account	898,604	820,093
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

The tax rate used in the above reconciliation is the corporate tax rate of 26% (2020: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

## (D) AMOUNTS RECOGNISED DIRECTLY IN EQUITY

	Consolidated	
	2021	2020
	\$	\$
<i>Unrecognised deferred tax balances of Australian income tax consolidated group:</i>		
Unrecognised deferred tax asset – revenue losses	11,131,464	10,192,500
Unrecognised deferred tax asset – capital losses	1,709,337	1,709,337
Unrecognised deferred tax asset – other	3,359,696	3,729,163
Unrecognised deferred tax equity	245,700	76,802
Unrecognised deferred tax liabilities	(290,119)	(706,392)
<b>Net unrecognised deferred tax asset</b>	<b>16,156,078</b>	<b>15,001,410</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 SEGMENT REPORTING

#### (A) ACCOUNTING POLICY

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 SUDA.

In 2020, the Company has identified two segments, which are Suda and MRC. MRC had a segment net operating loss after tax of \$5,704,410 that mainly made up of impairment expense of \$5,669,088, nil segment asset and \$254 segment liabilities. The rest of the segment net operating losses; segment assets and segment liabilities were from Suda standalone.

During the year, the Company has filed company deregistration for Malaria Research Company Pty Ltd, Eastland CN Nominees Pty Ltd, Suda Europe Ltd and SUD 18 Pty Ltd. Therefore, these entities have been accounted as discontinued operations and Malaria Research Company Pty Ltd is no longer presented in the segment note. The Company has identified one reportable segment as a whole. The principal activity of the segment during the year was pharmaceutical development and to acquire new platforms that align with the Company's two focus areas, oncology and conditions that affect the central nervous system.

### 5 LOSS PER SHARE

#### (A) ACCOUNTING POLICY

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, 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 earnings/loss per share is calculated as net profit/loss attributable to members of the parent, 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.

#### (B) BASIC/DILUTED LOSS PER SHARE

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cents</b>	<b>Cents</b>
Basic/diluted loss per share (cents per share)	(1.52)	(6.98)
Basic/diluted loss per share from continuing operations	(1.52)	(2.97)
Basic/diluted loss per share from discontinued operations	-	(4.01)



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5 LOSS PER SHARE (CONTINUED)

## (C) RECONCILIATION OF LOSSES USED IN CALCULATING LOSS PER SHARE

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

	Consolidated	
	2021	2020
	\$	\$
<i>Loss for the year</i>		
From continuing operations	(5,047,465)	(4,231,186)
From discontinued operations	-	(5,704,409)
	<b>(5,047,465)</b>	<b>(9,935,595)</b>

Weighted average number of shares used as the denominator

	Consolidated	
	2021	2020
	Number	Number
<b>Weighted average number of ordinary shares for the purpose of basic/diluted loss per share</b>	<b>330,893,281</b>	<b>142,254,865</b>

On the basis of the Group's losses, the outstanding options issued are considered to be anti-dilutive and therefore were excluded from the weighted average number of ordinary shares calculation when calculating the diluted loss per share.

## 6 CASH AND CASH EQUIVALENTS

## (A) ACCOUNTING POLICY

Cash comprises cash at bank and in 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	Consolidated	
	2021	2020
	\$	\$
<b>Cash and cash equivalents</b>	<b>6,717,198</b>	<b>977,472</b>

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

Short-term deposits are made for varying periods of between one to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6 CASH AND CASH EQUIVALENTS (CONTINUED)

## (B) RECONCILIATION TO THE STATEMENT OF CASH FLOW

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

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:

	Note	Consolidated	
		2021 \$	2020 \$
<b>Loss for the year</b>		<b>(5,047,465)</b>	<b>(9,935,595)</b>
<i>Adjustments for non-cash items:</i>			
Impairment of intangible assets	12	1,239,467	5,937,532
Inventory write down		21,801	23,608
Share-based payments		37,337	93,527
Non-cash government grant		-	(80,000)
Lease nominal payment		(57,583)	-
Other non-cash expenses		31,745	-
Property, plant and equipment written off		9,278	-
AASB 16 lease interest		25,869	-
Depreciation		203,180	222,975
Amortisation		448,996	349,404
<i>Change in operating assets and liabilities:</i>			
Decrease/(Increase) in trade receivables		335,531	251,342
Decrease/(Increase) in trade and other payables		(453,240)	564,512
Increase/(Decrease) in other provisions		126,672	(18,659)
Decrease/(Increase) in other current assets		73,894	27,038
Increase/(Decrease) in legal settlement provision		(540,010)	(319,409)
<b>Net cash outflow from operating activities</b>		<b>(3,544,528)</b>	<b>(2,883,725)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7 TRADE AND OTHER RECEIVABLES

## (A) ACCOUNTING POLICY

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is an expectation that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of 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.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables net of allowance for expected credit losses <sup>1</sup>	9,595	216,256
R&D incentive receivable	524,042	652,912
	<b>533,637</b>	<b>869,168</b>

1. the average credit period on sales of goods and rendering of services is 60 days. All amounts are short term except when conditional on other party achieving a milestone. The carrying value of trade receivables is considered a reasonable approximation of fair value.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Ageing of past due but not impaired</b>		
30 - 60 days	-	49,222
60 - 90 days	-	73,249
90 - 120 days	-	-
120 days +	9,595	93,785
<b>Total</b>	<b>9,595</b>	<b>216,256</b>
<b>Allowance for expected credit losses</b>		
Balance at the beginning of the year	-	97,773
Expected credit losses recognised on receivables	-	-
<b>Total</b>	<b>-</b>	<b>97,773</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### (B) EXPECTED CREDIT LOSSES

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers and to the credit worthiness of the customer.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst others is considered indicators of no reasonable expectation of recovery.

On the above basis, the expected credit losses for trade receivables as at 30 June 2021 was nil (2020: \$97,773).

### 8 INVENTORIES

#### (A) ACCOUNTING POLICY

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

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

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

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Raw materials - at lower of cost and net realisable value	-	21,801
	-	<b>21,801</b>

Inventory write-downs and obsolete stock charged to other expenses totalled \$21,801 (2020: \$23,608).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9 OTHER CURRENT ASSETS

#### (A) ACCOUNTING POLICY

##### ACCRUED INCOME

All income shall be invoiced and recorded when the service and/or materials have been provided. All income shall be recorded as accrued income if payment is expected within the next year.

If circumstances should dictate that the payment will not be received for a period greater than 12 months, such income shall be segregated and treated as a non-current receivable for recording and reporting purposes.

##### PREPAYMENTS

Prepayments are cash paid amounts that represent costs incurred from which a service or benefit is expected to be derived in the future.

The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. When the period arrives to which a prepaid cost relates the costs will be treated as a period cost for the period in question. Normally such prepaid costs will be written off based on the elapse of time.

Prepayments should be classified as current assets unless a portion of the prepayment covers a period longer than 12-months. If they are prepayment costs with a benefit beyond 12-months, they should be classified as deferred charges in the Consolidated Statement of Financial Position.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Accrued income	676	120,319
Prepayments	91,633	45,884
	<b>92,309</b>	<b>166,203</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10 PROPERTY, PLANT AND EQUIPMENT

#### (A) ACCOUNTING POLICY

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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Leasehold improvements 3 - 5 years
- Plant and equipment 2 - 5 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 balance 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 units 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. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**DERECOGNITION AND DISPOSAL**

An item of property, 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.

<b>Consolidated Non-current</b>	<b>Plant and equipment \$</b>	<b>Total \$</b>
Cost	1,030,758	1,030,758
Accumulated depreciation	(666,171)	(666,171)
<b>Net book amount</b>	<b>364,587</b>	<b>364,587</b>
<b>Year ended 30 June 2020</b>		
Opening net book amount	367,370	367,370
Additions	141,089	141,089
Reclassification from intangible assets	3,038	3,038
Depreciation charge	(146,910)	(146,910)
<b>Closing carrying value</b>	<b>364,587</b>	<b>364,587</b>
<b>At 30 June 2021</b>		
Cost	1,186,004	1,186,004
Accumulated depreciation	(805,101)	(805,101)
<b>Net book amount</b>	<b>380,903</b>	<b>380,903</b>
<b>Year ended 30 June 2021</b>		
Opening net book amount	364,587	364,587
Additions	166,124	166,124
Written off	(9,326)	(9,326)
Depreciation charge	(140,482)	(140,482)
<b>Closing carrying value</b>	<b>380,903</b>	<b>380,903</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11 LEASES

#### (A) ACCOUNTING POLICY

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

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

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

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

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 LEASES (CONTINUED)

## (B) AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The Statement of financial position shows the following amounts relating to leases:

	Consolidated	
	2021	2020
	\$	\$
<b>Right-of-use assets</b>		
Properties	52,037	57,044

	Consolidated	
	2021	2020
	\$	\$
<b>Lease liabilities</b>		
Current	70,772	69,166

## (C) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	2021	2020
	\$	\$
Depreciation charge of right-of-use assets	62,698	76,065

	Consolidated	
	2021	2020
	\$	\$
Interest expense	25,869	14,705

The total cash outflow for leases in 2021 was \$57,583 (2020: \$63,943).

## (D) THE GROUP'S LEASING ACTIVITIES

At the start of the current accounting period, the Company has the following leased asset:

- Office lease at ground floor & Level 1 Unit 12, 55 Howe Street, Osborne Park, Western Australia

In 2021, the Group decided to apply for a one year extension to the lease mentioned above. As a result, there was an addition to right-of-use assets and corresponding lease liabilities of \$57,691.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12 INTANGIBLE ASSETS

#### (A) ACCOUNTING POLICY

##### **INTANGIBLE ASSETS ACQUIRED SEPARATELY**

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives when available for use. 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.

##### **CAPITALISATION OF INTERNALLY DEVELOPED PROJECT DEVELOPMENT**

Distinguishing the research and development phases of a new project development and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

##### **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.

##### **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).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12 INTANGIBLE ASSETS (CONTINUED)

## (A) ACCOUNTING POLICY (CONTINUED)

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)**

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.

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.

	Patents \$	Development costs \$	Total \$
<b>Year ended 30 June 2020</b>			
<b>Opening carrying value</b>	<b>132,358</b>	<b>10,158,467</b>	<b>10,290,825</b>
Additions	-	247,333	247,333
Impairment	-	(5,937,532)	(5,937,532)
Amortisation	-	(349,404)	(349,404)
<b>Closing carrying value</b>	<b>132,358</b>	<b>4,118,864</b>	<b>4,251,222</b>
<b>Year ended 30 June 2021</b>			
<b>Opening carrying value</b>	<b>132,358</b>	<b>4,118,864</b>	<b>4,251,222</b>
Additions	-	348,447	348,447
Impairment	-	(1,239,467)	(1,239,467)
Amortisation	-	(448,996)	(448,996)
<b>Closing carrying value</b>	<b>132,358</b>	<b>2,778,848</b>	<b>2,911,206</b>

In the current year, the Company has decided not to commit further resources to the Sildenafil and Duromist projects as these projects were put on hold since the prior year and there were no suitable co-development opportunities. The carrying value of Sildenafil and Duromist projects at reporting date has been fully impaired resulting in an impairment expense of \$1,239,467 recognised in the consolidated statement of profit or loss and other comprehensive loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13 TRADE AND OTHER PAYABLES

## (A) ACCOUNTING POLICY

Trade payables and other payables are carried at amortised cost 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.

	Consolidated	
	2021 \$	2020 \$
<b>Current</b>		
Trade payables (i)	227,459	732,073
Payroll tax and other statutory liabilities	4,412	181
Sundry payables and accrued expenses	472,876	292,731
Legal settlement (ii)	522,152	409,098
	<b>1,226,899</b>	<b>1,434,083</b>
<b>Non-current</b>		
Legal settlement (ii)	-	540,010

The Group has reclassified certain provisions in prior year comparatives in order to be consistent with the current year classification and presentation.

(i) Trade payables are non-interest bearing and are normally settled on 30-45 day terms and include superannuation and PAYG.

(ii) On 28 June 2018, SUDA entered into a settlement agreement with the receiver of HC Berlin Pharma (HCBP). On 29 March 2018, the Company announced that the German Court had dismissed an appeal lodged by SUDA against the receiver of HCBP with respect to a failed in-kind capital contribution in June 2008. SUDA was found liable for the payment of €4,000,000 plus interest and costs and the receiver had reserved his rights to apply to the Courts to have the liability increased to €8,000,000 plus interest and costs (quantum of the failed in-kind contribution).

The judgement against SUDA was made for half of the failed in-kind contribution or €4,000,000 plus 5% interest dating back from August 2008, as reported by SUDA in February 2017. The estimated total of this claim amounted to approximately €6,000,000 (\$9,400,000) plus legal costs. Upon the judgement being made final the HCBP receiver reserved his right to assert claim over the full €8,000,000 plus costs (approximately \$12,000,000).

The settlement is for SUDA to pay €1,400,000 in respect of the claim, plus legal costs of €220,000, being a total of €1,620,000 (approximately \$2,570,000). The Directors of SUDA believe that this is a very good outcome for the Company and its shareholders. The settlement quantifies the liability and removes uncertainty.

The initial payment was due and paid by 30 September 2018 for €540,000 (approximately \$855,000), the second payment of €250,000 was paid by 31 December 2020 and €330,000 is payable by 31 December 2021. The amount due has not been discounted to present value as the effect of this is not considered material.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 PROVISIONS

#### (A) ACCOUNTING POLICY

Provisions provided to employees in respect of performance pay, annual leave and long service leave expected to be settled within 12 months of the balance date are recognised in current employee benefits provisions in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the provisions are settled.

Provisions provided to employees in respect of long service leave not expected to be settled within 12 months of the balance date are recognised in non-current employee benefits provisions in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current employee benefits provisions</b>		
Performance pay provision	105,845	53,625
Provision for annual leave	74,808	73,871
Long service leave provision	10,912	46,676
	<b>191,565</b>	<b>174,172</b>
<b>Non-current employee benefits provision</b>		
Long service leave provision	<b>7,908</b>	<b>5,350</b>

### 15 BORROWINGS

#### (A) ACCOUNTING POLICY

##### **BORROWINGS**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 15 BORROWINGS (CONTINUED)

## (A) ACCOUNTING POLICY (CONTINUED)

## LEASES

See Note 11 (a) for the Group's accounting policy for leases.

	Consolidated	
	2021	2020
	\$	\$
<b>Current unsecured</b>		
Lease liability	5,721	12,054
<b>Non-current unsecured</b>		
Lease liability	2,742	4,240

	Consolidated	
	2021	2020
	\$	\$
<b>Current unsecured lease liability and other borrowings</b>		
Balance at beginning of period	12,054	36,206
Repayments	(7,831)	(36,821)
Reclassify non-current lease liability to current lease liability	1,498	12,669
<b>Closing balance at end of year</b>	<b>5,721</b>	<b>12,054</b>
<b>Non-current unsecured lease liability</b>		
Balance at beginning of period	4,240	16,909
Reclassify non-current lease liability to current lease liability	(1,498)	(12,669)
<b>Closing balance at end of year</b>	<b>2,742</b>	<b>4,240</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16 CONTROLLED ENTITIES

Subsidiaries of Suda Pharmaceuticals Ltd	Country of Incorporation	Percentage owned	
		2021 %	2020 %
Malaria Research Company Pty Ltd	Australia	-	100
Eastland CN Nominees Pty Ltd	Australia	-	100
Suda Europe Ltd	United Kingdom	-	100
SUD18 Pty Ltd	Australia	-	100

During the year, the Company filed company deregistration for Malaria Research Company Pty Ltd, Eastland CN Nominees Pty Ltd, Suda Europe Ltd and SUD 18 Pty Ltd. Please refer to Note 17 for further details on discontinued operations.

## 17 DISCONTINUED OPERATIONS

During the year, the Company filed company deregistration for the following subsidiaries:

- a) Eastland CN Nominees Pty Ltd
- b) SUD 18 Pty Ltd
- c) Malaria Research Company Pty Ltd
- d) Suda Europe Ltd

As a result of the deregistration, these subsidiaries are being accounted as discontinued operations and comparatives for the year ended 30 June 2020 have been amended as below.

	Consolidated	
	2021 \$	2020 \$
Impairment expense	-	(5,669,088)
Other expenses	-	(35,321)
Write off of other current asset	(130)	-
Write off of property, plant and equipment	(3,038)	-
Other income	3,168	-
<b>Loss from discontinued operations</b>	<b>-</b>	<b>(5,704,409)</b>

As of 30 June 2021, the Group has written off all assets and liabilities of the subsidiaries.

Furthermore as of 30 June 2021 and 30 June 2020, the subsidiaries did not have any cash transactions and hence no cash flows are presented.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 18 SHARE CAPITAL

## (A) ACCOUNTING POLICY - 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

	Consolidated			
	2021 Shares	2021 \$	2020 Shares	2020 \$
<b>Ordinary shares</b>				
Fully paid	480,819,986	77,003,347	142,254,865	67,385,981
	<b>480,819,986</b>	<b>77,003,347</b>	<b>142,254,865</b>	<b>67,385,981</b>
<b>Total Issued Capital</b>	<b>480,819,986</b>	<b>77,003,347</b>	<b>142,254,865</b>	<b>67,385,981</b>

Ordinary shares 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 by 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.

## MOVEMENTS IN ORDINARY SHARES ON ISSUE

	Number of Shares	Total \$
<b>Opening balance 1 July 2019</b>	<b>3,556,371,635</b>	<b>67,385,981</b>
Share consolidation <sup>1</sup>	(3,414,116,770)	
<b>Balance 30 June 2020</b>	<b>142,254,865</b>	<b>67,385,981</b>
Share consolidation adjustment	(468)	-
Rights issue (August 2020)	142,254,397	3,556,360
Shares issue (August 2020)	21,338,159	533,455
Shares issue in lieu of cash (October 2020)	988,949	35,310
Shares issue (December 2020)	76,708,975	2,761,523
Shares issue (February 2021)	1,111,112	40,000
Shares issue (June 2021)	96,163,997	3,654,232
Less: Capital raising costs <sup>2</sup>	-	(963,514)
<b>Balance 30 June 2021</b>	<b>480,819,986</b>	<b>77,003,347</b>

1. SUDA completed the consolidation of its share capital and options on a one (1) for twenty-five (25) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019.

2. \$239,025 transaction costs on share issues related to the fair value of 9,132,603 unlisted options issued to external corporate advisory group Baker Young Stockbrokers for capital raise brokerage services and placement services rendered. Out of the total of 9,132,603 unlisted options to Baker Young, 2,923,385 unlisted options are yet to be issued as they require shareholder approval in the upcoming General Meeting.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 18 SHARE CAPITAL (CONTINUED)

## (B) ACCOUNTING POLICY - SHARE OPTIONS

The Company has two share-based payment options scheme under which options to subscribe for the Company's shares have been granted to certain Directors, other Key Management Personnel and other employees. Refer to Note 20 for the accounting policy on these share options.

The Company also has listed share option on issue which were free attaching options to previous rights issues and placements and also those issued to brokers for these issues.

The free attaching options are not required to be valued; the options issued to brokers are valued and accounted for in a similar way to the employee options.

## MOVEMENTS IN SHARE OPTIONS

	2021		2020	
	Number of Options	Exercise Price \$	Number of Options	Exercise Price \$
<b>Balance at beginning of year</b>	<b>53,744,337</b>	<b>0.3507</b>	<b>1,243,614,755</b>	<b>0.0150</b>
Options consolidation <sup>1</sup>			(1,193,870,418)	
Unlisted options issued during the year <sup>2</sup>			520,000	0.1475
Unlisted options issued during the year <sup>2</sup>			520,000	0.1575
Unlisted options issued during the year <sup>2</sup>			560,000	0.1675
Unlisted options issued during the year <sup>3</sup>			1,200,000	0.0858
Unlisted options issued during the year <sup>3</sup>			800,000	0.0917
Unlisted options issued during the year <sup>3</sup>			800,000	0.0976
Unlisted options lapsed during the year <sup>4</sup>			(400,000)	-
Share options SUDOE issued during the year	47,418,378	0.0500		
Share options SUDOD lapsed during the year	(20,688,051)	0.3750		
Share options SUDOC lapsed during the year	(27,956,286)	0.3675		
Unlisted options lapsed during the year	(460,000)	0.5700		
Unlisted options issued during the year <sup>5</sup>	4,000,000	0.0500		
Unlisted options issued during the year <sup>5</sup>	2,209,218	0.0720		
<b>Balance as at 30 June</b>	<b>58,267,596</b>	<b>0.0564</b>	<b>53,744,337</b>	<b>0.3507</b>

1. SUDA completed the consolidation of its share capital and options on a one (1) for twenty-five (25) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019.
2. 1,600,000 unlisted options were issued to Paul Hopper, Executive Chairman, under the Company's ESOP pursuant to resolution of shareholders at the Annual General Meeting held on 12 November 2019.
3. 2,800,000 unlisted options were issued to Michael Baker, CEO, under the Company's ESOP as outline in the announcement of 27 November 2019.
4. 400,000 unlisted options, issued to external consulting group RM Capital, expired on 26 April 2020.
5. 6,209,218 unlisted options issued to Baker Young for services provided.

There were 58,267,596 (2020: 53,744,337) share options outstanding at the end of the year with a weighted average exercise price of \$0.0564 (2020: \$0.35) and a weighted average remaining contractual life was 435 days (2020: 248 days).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 SHARE CAPITAL (CONTINUED)

#### (B) ACCOUNTING POLICY - SHARE OPTIONS (CONTINUED)

The fair value of the equity-settled share options granted during the year related to an employee share option plan and is estimated as at the date of grant using either the Monte Carlo simulation model, Binomial model or the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

30 June 2021	ESOP 2019	ESOP 2020	ESOP 2020
Number of options	240,000	1,600,000	2,800,000
Grant date	31 Jan 2019	12 Nov 2019	02 Jan 2020
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	159.1%	170.8%	184.8%
Risk-free interest rate (%)	0.99%	2.5%	2.5%
Expected life of option (years)	3	3	4
Exercise price (cents)	18.25	15.78	9.21
Grant date share price (cents)	0.5	0.3	6.0
Fair value at grant date	12,446	55,979	108,663
Discount for lack of marketability	-	30%	30%

### 19 RESERVES

#### NATURE AND PURPOSE OF RESERVES

##### SHARE BASED PAYMENTS RESERVE

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 20 for further details of these plans.

##### MINORITY INTEREST ACQUISITION RESERVE

This reserve is used to record the differences described in note 1(f) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control. In 2021, as a result of the deregistration of subsidiaries, the Group has reclassified this reserve to accumulated losses.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20 SHARE-BASED PAYMENTS

#### (A) ACCOUNTING POLICY

##### **EQUITY SETTLED TRANSACTIONS**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- i. the Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives, consultants and other employees;
- ii. the Tax Exempt Plan under which eligible employees may be issued up to \$1,000 of shares, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is either determined by an external valuer using a Monte Carlo simulation or a Binomial model, or internally using a Black-Scholes model, further details of which are given in this Note further below.

The cost of equity-settled transactions with parties other than employees is measured at the fair value of goods or services received at the date the entity obtains the goods or counterparty renders the services, unless these can not be estimated reliably. In this instance the cost of these equity-settled transactions with parties other than employees is measured by reference to the fair value of the equity instruments.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Suda Pharmaceuticals Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share, refer Note 5.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20 SHARE-BASED PAYMENTS (CONTINUED)

#### (A) ACCOUNTING POLICY (CONTINUED)

##### SHARE-BASED PAYMENT TRANSACTIONS

The Group 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 either determined by an external valuer using a Monte Carlo simulation or a Binomial model, or internally using a Black-Scholes model, using the assumptions detailed in this Note further below.

##### OPTIONS TO EXTERNAL CONSULTANT

4,000,000 unlisted options have been issued to external consultant Baker Young for professional services rendered. An additional 2,209,218 unlisted options have been issued to Baker Young as approved by Shareholders at the EGM on 29 January 2021. In addition, there were 2,923,385 unlisted options granted but yet to be issued to Baker Young as they require shareholders' approval at the upcoming General Meeting.

Options to external consultant	August 2020	December 2020	June 2021
Number of options	4,000,000	2,209,218	2,923,385
Grant date	05 Aug 2020	16 Dec 2020	29 Jun 2021
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	122%	129%	123%
Risk-free interest rate (%)	0.11%	0.11%	0.11%
Expected life of option (years)	2	2	2
Exercise price (cents)	5	7.2	7.6
Grant date share price (cents)	4.3	3.7	5.5
Fair value at grant date	\$108,452	\$42,014	\$88,558

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20 SHARE-BASED PAYMENTS (CONTINUED)

#### (A) ACCOUNTING POLICY (CONTINUED)

##### EMPLOYEE SHARE OPTION PLAN (ESOP)

On 26 September 2017, the Directors adopted the following plans:

- i. Employee Share Option Plan (Option Plan) under which Directors, executives, consultants and other employees may be offered the opportunity to be granted Options; and the ESOP was approved for adoption with an increase limit to 15,341,795 securities within a three year period from 29 January 2021.
- ii. Tax Exempt Plan under which eligible employees may be issued up to \$1,000 of Shares.

The maximum number of proposed ESOP securities was passed in the Extraordinary General Meeting held on 29 January 2021 for 15,341,795 securities within a three year period from 29 January 2021.

The vesting of Options under the terms of the Plans is dependent on both of the following performance conditions being satisfied:

- i. Market capitalisation, and
- ii. Continuous employment

The contractual life of each option granted is 3 years or may vary depending on the Board's discretion. Options can be settled by payment at the exercise price or a cashless exercise facility is available.

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments is disclosed in Note 2(c)(v).

The following share-based payment arrangements for Directors, other Key Management Personnel, consultants and other employees were in place during the current year:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date (\$)	Vesting date
Options	240,000	31 Jan 2019	30 Jan 2022	18.25 cents	12,446	Subject to continuous employment
Options	520,000	12 Nov 2019	14 May 2022	14.75 cents	18,193	15 May 2019
Options	520,000	12 Nov 2019	14 May 2022	15.75 cents	18,193	14 May 2020
Options	560,000	12 Nov 2019	14 May 2022	16.75 cents	19,593	14 May 2021
Options	1,200,000	2 Jan 2020	1 Jan 2024	8.58 cents	46,673	30 Jun 2020
Options	800,000	2 Jan 2020	1 Jan 2024	9.17 cents	31,034	30 Jun 2021
Options	800,000	2 Jan 2020	1 Jan 2024	9.76 cents	30,956	30 Jun 2022
	<b>4,640,000</b>					

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 20 SHARE-BASED PAYMENTS (CONTINUED)

## (A) ACCOUNTING POLICY (CONTINUED)

## EMPLOYEE SHARE OPTION PLAN (ESOP) (CONTINUED)

The following table illustrates the number and weighted average exercise prices of and movements in share options, under the ESOP, issued during the year:

	2021		2020	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding at the beginning of year	5,100,000	0.16	2,300,000	1.23
Granted during the year <sup>1</sup>	-	-	2,800,000	0.09
Lapsed during the year	(460,000)	0.57	-	-
Expired during the year	-	-	-	-
<b>Outstanding at the end of year</b>	<b>4,640,000</b>	<b>0.12</b>	<b>5,100,000</b>	<b>0.16</b>
<b>Exercisable at the end of year</b>	<b>3,840,000</b>	<b>0.12</b>	<b>2,240,000</b>	<b>0.12</b>

1. In 2020 financial year, the options granted are as below:

Michael Baker has been granted 2,800,000 options for his commencement as CEO on 2 January 2020.

Vesting conditions and expiry dates of these options are:

- 1,200,000 unlisted options exercisable at \$0.0870, expiring: 1 January 2024
- 800,000 unlisted options exercisable at \$0.0930, vesting after 30 June 2021 and expiring: 1 January 2024
- 800,000 unlisted options exercisable at \$0.0990, vesting after 30 June 2020 and expiring: 1 January 2024

On 12 November 2019 1,600,000 unlisted options were approved to be granted to Paul Hopper.

Vesting conditions and expiry dates of options are:

- 520,000 unlisted options exercisable at \$0.1475, expiring: 14 May 2022
- 520,000 unlisted options exercisable at \$0.1575, expiring: 14 May 2022
- 560,000 unlisted options exercisable at \$0.1675, vesting after 14 May 2021 and expiring: 14 May 2022

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 FINANCIAL INSTRUMENTS

#### RECOGNITION AND DERECOGNITION

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### CLASSIFICATION AND INITIAL MEASUREMENT OF FINANCIAL ASSETS

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified at amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

#### SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

##### FINANCIAL ASSETS AT AMORTISED COST

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 FINANCIAL INSTRUMENTS (CONTINUED)

#### IMPAIRMENT OF FINANCIAL ASSETS

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

#### CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 FINANCIAL INSTRUMENTS (CONTINUED)

#### CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

	Notes	Consolidated	
		2021 \$	2020 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	6,717,198	977,472
Trade and other receivables	7	9,595	216,256
R&D tax incentive receivable		524,042	652,912
		<b>7,250,835</b>	<b>1,846,640</b>
<b>Financial liabilities</b>			
Trade and other payables	13	227,459	732,073
Accruals	13	472,876	292,731
Borrowings	15	8,463	16,294
Legal settlement	13	522,152	949,108
Lease liabilities	11	70,772	69,166
		<b>1,301,722</b>	<b>2,059,372</b>

#### FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 FINANCIAL INSTRUMENTS (CONTINUED)

#### MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

#### FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company receives a portion of its revenue in foreign currency, predominately US dollars and Euros. The Company is also indebted to HC Berlin Pharma receiver for €330,000 payable by 31 December 2021. There is a risk that adverse currency movements may negatively impact the Company.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

Consolidated	30 June 2021			30 June 2020		
	GBP	EUR	USD	GBP	EUR	USD
	\$	\$	\$	\$	\$	\$
Liabilities	49,900	575,842	5,418	60,192	1,002,798	6,389
Assets	226	-	115,518	235	-	245,011

#### FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is exposed to GB Pounds (GBP) Euros (EUR) and US Dollar (USD) currency fluctuations.

The following table details the Group's sensitivity to a 5% increase and decrease in the Australian dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

Consolidated	Profit		Equity	
	2021	2020	2021	2020
	\$	\$	\$	\$
+/- 5% in AUD/GBP	(2,484)	(2,998)	2,484	2,998
+/- 5% in AUD/EUR	(28,792)	(50,140)	28,792	50,140
+/- 5% in AUD/USD	5,505	11,931	(5,505)	(11,931)

This is mainly attributable to the exposure outstanding on USD, GBP and EUR currencies held at year end in the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 FINANCIAL INSTRUMENTS (CONTINUED)

#### INTEREST RATE RISK MANAGEMENT

The Group have minimised their exposure to interest rate risk as the Group have maintained financial assets and financial liabilities at fixed interest rates. Hence the impact of interest rate risk is not material to the Group.

#### 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.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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.

#### LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of directors, 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, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### 22 COMMITMENTS AND CONTINGENCIES

#### LEGAL CLAIM

HC Berlin Pharma AG - The Company entered into a settlement agreement with the Receiver of HC Berlin Pharma AG on 28 June 2018 for a settlement amount of €1,620,000 (approximately \$2,570,000) payable in instalments up to 31 December 2021. Under the terms of the agreement, if the Company does not meet the payment for each instalment within 10 calendar days after the due date of the instalment date, then the total claim of €8,000,000 plus interest and costs less amounts paid to date becomes due and payable. To 30 June 2021, the Company has paid \$2,025,763 (2020: \$1,620,892) in accordance with the settlement agreement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 23 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of SUDA Pharmaceuticals Limited and the subsidiaries listed in the following table.

Subsidiaries of Suda Pharmaceuticals Ltd	Country of Incorporation	Percentage owned	
		2021 %	2020 %
Malaria Research Company Pty Ltd	Australia	-	100
Eastland CN Nominees Pty Ltd	Australia	-	100
Suda Europe Ltd	United Kingdom	-	100
SUD18 Pty Ltd	Australia	-	100

During the year, the Company filed for company deregistration of Malaria Research Company Pty Ltd, Eastland CN Nominees Pty Ltd, Suda Europe Ltd and Suda 18 Pty Ltd. Please refer to Note 17 for further details on discontinued operations.

SUDA Pharmaceuticals Limited is the ultimate Australian parent entity and ultimate parent of the Group.

#### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Refer to Note 27 for details of transactions with key management personnel.

#### TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24 PARENT ENTITY DISCLOSURE

#### ACCOUNTING POLICY

The financial information for the parent entity, SUDA, disclosed below has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### SHARE-BASED PAYMENTS

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

	2021 \$	2020 \$
<b>Assets</b>		
Current assets	7,343,144	2,037,022
Non-current assets	3,344,146	4,669,815
<b>Total assets</b>	<b>10,687,290</b>	<b>6,706,837</b>
<b>Liabilities</b>		
Current liabilities	1,694,957	2,022,500
Non-current liabilities	10,650	549,600
<b>Total liabilities</b>	<b>1,705,607</b>	<b>2,572,100</b>
<b>Equity</b>		
Issued capital	77,003,347	67,385,981
Share-based payments	450,686	225,712
Accumulated losses	(68,472,350)	(63,476,956)
<b>Total equity</b>	<b>8,981,683</b>	<b>4,134,737</b>
<b>Total loss and total comprehensive loss</b>	<b>(5,047,465)</b>	<b>(7,564,109)</b>

#### GUARANTEES

SUDA has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

#### CONTINGENT LIABILITIES AND COMMITMENTS OF THE PARENT ENTITY

For details on commitments, see note 22.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following occurred after the Balance Date:

- An external consultant has been granted 3,860,000 options on 18 June 2021 and these options were subsequently issued on 13 July 2021.

Vesting conditions and expiry dates of these options are:

- 1,286,667 unlisted options exercisable at \$0.0570, expiring: 30 June 2022
- 1,286,667 unlisted options exercisable at \$0.0611, expiring: 30 June 2023
- 1,286,666 unlisted options exercisable at \$0.0650, expiring: 30 June 2024
- On 10 August 2021, Dr Debora Barton was appointed as a Non-Executive Director of the Company.

There has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods

### 26 REMUNERATION OF AUDITORS

The auditor of Suda Pharmaceutical Ltd is HLB Mann Judd.

	Consolidated	
	2021 \$	2020 \$
Audit and review of financial statements	62,500	52,488
<b>Total remuneration for audit and other assurance services</b>	<b>62,500</b>	<b>52,488</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 27 DIRECTORS AND EXECUTIVES DISCLOSURES

## DETAILS OF KEY MANAGEMENT PERSONNEL

## DIRECTORS

Paul Hopper	Non-Executive Chairman
David Simmonds	Non-Executive Director
David Phillips	Executive Director
Dr Michael Baker	CEO and Managing Director (CEO appointed to Managing Director on 1 July 2020)

## EXECUTIVES

Dr Carol Worth	Chief Technical Officer (resigned 15 January 2021)
Joseph Ohayon	Chief Financial Officer (resigned 25 September 2020, resigned as Company Secretary on 18 August 2020)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

	Consolidated	
	2021	2020
	\$	\$
<b>Transactions and balances with Key Management Personnel</b>		
Mr Paul Hopper - exclusivity fee in relation to independent transaction committee to assess acquisition during the year	-	75,000
Mr David Phillips - consulting fees payable <sup>1</sup>	11,000	16,500
Dr Michael Baker - bonus payable <sup>2</sup>	75,000	53,625

1. Consulting fees payable to Mr David Phillips was paid in July 2021 (2020: paid in July 2020).

2. Bonus payable to Dr Michael Baker was paid in September 2021 (2020: paid in August 2020).

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

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	925,610	1,432,948
Post-employment benefits	47,675	67,885
Share-based payments	35,145	93,527
	<b>1,008,430</b>	<b>1,594,360</b>

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Suda Pharmaceuticals Limited (the 'Company'):
  - a. the accompanying financial statements and notes are 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 performance for the year then ended; and
    - ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

This declaration is made in accordance with a resolution of Directors.



Mr. Paul Hopper

Director

30 September 2021



## INDEPENDENT AUDITOR'S REPORT

To the members of Suda Pharmaceuticals Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Suda Pharmaceuticals 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 the directors' declaration.

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

- a) 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 then ended; and
- b) 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* ("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.

#### *Material uncertainty related to going concern*

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

#### *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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
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<p><b>Carrying amount of intangible assets</b> Refer to Note 12 of the financial report</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of the key controls associated with assessment of the recoverable amount of the intangibles;</li> <li>- We assessed the appropriateness of the disclosures included in the relevant notes to the financial report;</li> <li>- We considered management's assessment of whether any impairment indicators existed; and</li> <li>- We considered the recoverable amount of intangibles where impairment indicators existed.</li> </ul>
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Included within the intangible assets balance of \$2,911,206 at balance date are intellectual property acquired separately and internally generated intangibles. A total impairment charge of \$1,239,467 relating to the Sildenafil and Duromist projects has been recorded during the year ended 30 June 2021.

In accordance with AASB 138 *Intangible Assets*, the Group capitalises acquisition costs of intellectual property acquired separately, and accounts for costs incurred after recognition relating to the research phase by expensing such costs and capitalising the development phase costs when the recognition criteria contained in AASB 138 are satisfied.

The balance of \$2,911,206 relates to projects which are available for use and which are being amortised. This amount is tested for impairment only if it is considered that there are impairment indicators present. This is considered to be a key audit matter because this asset represents a significant balance in the statement of financial position and the assessment of whether any impairment indicators existed involves considerable judgement.

*Information other than the financial report and auditor's report thereon*

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

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

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

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

*Responsibilities of the directors for the financial report*

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

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

*Auditor's responsibilities for the audit of the financial report*

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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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

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

In our opinion, the Remuneration Report of Suda Pharmaceuticals 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.

*HLB Mann Judd*

**HLB Mann Judd  
Chartered Accountants**

**Perth, Western Australia  
30 September 2021**

*L Di Giallonardo*

**L Di Giallonardo  
Partner**

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## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2021.

### A. DISTRIBUTION OF EQUITY SECURITIES

Holding	Number	
	Shares	Listed Options (SUOE)
1 - 1000	703	59
1,001 - 5,000	676	147
5,001 - 10,000	421	71
10,001 - 100,000	1,286	209
100,001 and over	678	88
	<b>3,764</b>	<b>574</b>

There were 1,800 holders of less than a marketable parcel of shareholdings.

There were 277 holders of less than a marketable parcel of option-holdings.

There were no substantial shareholders as at the reporting date.

### VOTING RIGHTS

The voting rights attached to each class of equity security are as follows:

- Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- Listed options: Listed options will only rank pari passu with existing Ordinary Shares on exercise of the Listed Options into Ordinary Shares.

## B. EQUITY SECURITY HOLDERS

## 20 LARGEST SHAREHOLDERS

		Ordinary Shares
	Number held	Percentage of issued shares
ZERRIN INVESTMENTS PTY LTD	17,010,000	3.54
UBS NOMINEES PTY LTD	15,064,640	3.13
KAMALA HOLDINGS PTY LTD	11,500,000	2.39
CHELSEA INVESTMENTS (WA) PTY LTD	10,000,000	2.08
SCINTILLA STRATEGIC INVESTMENTS LIMITED	6,500,000	1.35
MR JAMES BRADLEY RICHARDSON	6,325,000	1.32
MR STEVE JOHN WICKS	5,796,464	1.21
BAMBER INVESTMENTS PTY LTD	5,611,446	1.17
BNP PARIBAS NOMINEES PTY LTD	5,575,283	1.16
MRS MICHELLE SUZANNE QUINSEE	5,350,000	1.11
ALEXANDER HOLDINGS (WA) PTY LTD	5,000,000	1.04
PCAS (AUSTRALIA) PTY LTD	5,000,000	1.04
KLOSTERS HOLDINGS PTY LTD	4,500,000	0.94
MR MARK ANDREW DUNCAN-SMITH + MR BENJAMIN RONALD SMITH	4,377,898	0.91
PULNER PTY LTD	4,350,000	0.90
TERMCO PTY LTD	4,200,000	0.87
ALTOR CAPITAL MANAGEMENT PTY LTD	4,130,000	0.86
MR CRAIG GRAEME CHAPMAN	4,027,778	0.84
DEMASIADO PTY LTD	3,900,000	0.81
SEAFIELD SUPERANNUATION PTY LTD	3,593,567	0.75
	<b>131,812,076</b>	<b>27.42</b>

## 20 LARGEST OPTION HOLDERS - SUDOE

	Number of Listed Options (SUDOE)	% Held Of Issued Listed Options (SUDOE)
MR BILAL AHMAD	2,660,000	5.61
UBS NOMINEES PTY LTD	2,549,474	5.38
SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,333,334	4.92
KAMALA HOLDINGS PTY LTD	1,533,334	3.23
MR PAUL JONATHAN WRIGHT	1,200,000	2.53
SYRAX INVESTMENTS PTY LTD	1,050,000	2.21
MR DAVID HEMMING	1,000,000	2.11
BAMBER INVESTMENTS PTY LTD	992,062	2.09
MR PETER NORMAN DUNN	949,334	2.00
MR BRADLEY KEITH ELLETT	830,000	1.75
MR JEREMY CYRUS STEVENSON + MRS LORRAINE KATARINA STEVENSON	793,816	1.67
MS KATHRYN SILAS	750,907	1.58
MR JAMES BRADLEY RICHARDSON	720,000	1.52
MR JAMES ANTHONY GOMEZ	716,621	1.51
DYLIDE PTY LTD	666,667	1.41
TADEA PTY LTD	633,334	1.34
MR MARK ANDREW DUNCAN-SMITH	592,903	1.25
EQUITY TRUSTEES SUPERANNUATION LIMITED	590,445	1.25
MR STEVE JOHN WICKS	562,762	1.19
MR DO SHIK HONG + MRS CHUN SOOK HONG	556,867	1.17
	<b>21,681,860</b>	<b>45.72</b>

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