Appendix 4D

Half Year Ended 31 December 2019

1. Name of entity

SUDA PHARMACEUTICALS LTD AND CONTROLLED ENTITIES

ABN

35 090 987 250

Half year ended ('current period')

31 December 2019

Revenue / Profit		Movement	Change (%)	31 Dec 19 $'000	31 Dec 18 $'000
2.1	Revenues from ordinary activities	Down	55%	370	823
2.2	Loss from ordinary activities after tax attributable to members	Up	785%	(7,699)	(870)
2.3	Net loss for the period attributable to members	Up	785%	(7,699)	(870)

2.4	**Dividends**	Amount per security	Franked amount per security
	Interim dividend	0.0c	N/a
	Dividend previous corresponding period	0.0c	N/a
2.5	Record date for determining entitlements to the dividend.	N/a	N/a

2.6 Brief explanation of any of the figures reported above *(2.1 – 2.4)*:

The key achievements during the half year to 31 December 2019 were:

1. SUDA secured three new agreements: Cann Pharma Australia for a novel oral spray of cannabinoid derivatives; and two feasibility studies with Laboratorios Ordesa, S.L. and Sanofi-Aventis Groupe;
2. SUDA completed the consolidation of its share capital on a one to twenty-five basis;
3. SUDA appointed a new CEO, Dr Michael Baker, following the resignation of Mr Stephen Carter; and
4. SUDA was unsuccessful with its appeal to the Therapeutics Goods Administration for its ArTiMist product for the treatment of paediatric malaria. The value of the project has been fully impaired by $5,344,150 and is reported in the net loss. The Board is continuing to assess alternatives.

Earnings per Share	31 December 2019	31 December 2018
Basic loss per share (cents)	(5.41)	(0.93)
Diluted loss per share (cents)	(5.41)	(0.93)
Number of shares	142,254,397	2,581,959,133
Net tangible assets	$1,418,037	$1,419,582
Net tangible assets per share (cents)	1.00	0.05

Compliance statement

1. An interim report for the half year ended 31 December 2019 is provided with the Appendix 4D information.
2. The interim report and the accounts, upon which this report is based, have been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus.
3. This report, and the accounts upon which the report is based, use the same accounting policies.
4. This report gives a true and fair picture of the matters disclosed.
5. This report is based on +accounts to which one of the following applies.

☐ The +accounts have been audited.

☒ The +accounts have been subject to review.

☐ The +accounts are in the process of being audited or subject to review.

☐ The +accounts have *not* yet been audited or reviewed.

6. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.
7. The entity does have a formally constituted audit committee.

……………………………..
Paul Hopper
Executive Chairman

Date: 26 February 2020

SUDA PHARMACEUTICALS LTD

AND CONTROLLED ENTITIES

(ABN 35 090 987 250)

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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CORPORATE DIRECTORY

Directors	Mr. Paul Hopper Mr. David Phillips Mr. David Simmonds	Executive Chairman Executive Director Non-Executive Director
Company Secretary	Mr. Joseph Ohayon	
Registered Office	Suda Pharmaceuticals Ltd ABN 35 090 987 250 Level 1, Unit 12, 55 Howe Street Osborne Park, WA 6017 Telephone Facsimile Email Website	 PO Box 1719 Osborne Park BC, WA 6916 (08) 6142 5555 (08) 9443 8858 info@sudapharma.com www.sudapharma.com
Share Registry	Advanced Share Registry Services 110 Stirling Highway Nedlands, WA 6009 Telephone Facsimile	 PO Box 1156 Nedlands, WA 6909 (08) 9389 8033 (08) 6370 4203
Auditors	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street Perth, WA 6000 Telephone Facsimile	 (08) 9227 7500 (08) 9227 7533
Bankers	Westpac Banking Corporation Corporate Banking 109 St Georges Terrace Perth, WA 6000	
Home Stock Exchange	Australian Securities Exchange Ltd Exchange Plaza 2 The Esplanade Perth, WA 6000 Listing code: Ordinary Shares Listed Options Listed Options	 SUD SUDOC SUDOD

DIRECTORS' REPORT

Your Directors present their report and the financial report of Suda Pharmaceuticals Ltd ("SUDA" or "Company") and its controlled entities ("Group") for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Mr Paul Hopper	Executive Chairman	(prior to 23 September was Non-Executive Chairman)
Mr David Phillips	Executive Director	
Mr David Simmonds	Non-Executive Director	
Mr Stephen Carter	Executive Director	(resigned 23 September 2019)

Review and results of operations

The revenue for the period was $369,819 (2018: $822,980). The Company entered into 3 new agreements (discussed below) during the period. The loss before income tax of the Group was $7,699,408 (2018: $870,306) following an impairment of its ArTiMist project for $5,344,150.

Some of the highlights during the period included:

1. Share Consolidation

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

As a result of the Consolidation, the post consolidation shares and options in the Company are as follows:

Securities	Number of securities on issue (pre-consolidation)	Number of securities on issue (post-consolidation)
Fully-paid Ordinary Shares	3,556,371,635	142,254,397
Listed Options – SUDOC	698,908,634	27,956,286
Listed Options – SUDOD	517,206,121	20,688,051
Unlisted Options - various	27,500,000	1,100,000

2. Resignation of CEO / Appointment of new CEO

Mr Stephen Carter, resigned effective 23 September 2019 after nearly nine years on the board and management team. Mr Carter continues to provide technical assistance, on a consulting basis, to SUDA moving forward to ensure a smooth handover to the new CEO.

Dr Michael Baker was appointed CEO and commenced on 2 January 2020. Michael Baker joins SUDA from the leading Australian life science fund, Bioscience Managers, where he was based from 2017. As an Investment Manager, he was responsible for deal sourcing from networks, conferences, universities and research institutes. He also conducted the due diligence to shortlist investment opportunities and managed portfolios, specifically helping investee companies with corporate and operational strategies and fund raisings.

3. The Company signed 3 new agreements

   i. Cannabinoid development, licence and supply agreement with Cann Pharma Australia

SUDA finalised the Product Development, Licence and Supply Agreement (Agreement) with Cann Pharmaceutical Australia Ltd (CPA). The Agreement is to develop a novel oral spray of pharmaceutical-grade cannabinoid derivatives for the treatment of: drug resistant epilepsy, melanoma and motion sickness throughout the world.

Following completion of the feasibility study, which is fully funded by CPA, further product development costs are to be determined by SUDA and CPA jointly and will be fully funded by CPA.

The key terms include an upfront fee of $200,000, of which $100,000 is linked to milestones, development milestone fees, commercial milestone payments and royalties on commercial sales.

ii. Feasibility and option agreement with Laboratorios Ordesa, S.L., (Ordesa)

Ordesa is a Spanish pharmaceutical company that focuses on nutrition, health and well-being.

The two companies intend to co-develop a major consumer product for the paediatric market which SUDA anticipates will benefit from an improved patient delivery route and which could, potentially, also benefit from the OroMist technology superiority in speed of onset of action and less drug being required.

iii. Feasibility agreement with Sanofi-Aventis Groupe (Sanofi)

SUDA and Sanofi entered into an agreement to investigate the feasibility of SUDA's OroMist Technology and SANOFI selected active ingredient.

The agreement is for SUDA to carry out a fully-funded feasibility study that will terminate on 30 March 2021. Based on the outcomes of this feasibility study, SANOFI and SUDA may enter into further collaboration.

4. Update on ArTiMist®

In May 2019, SUDA received the official Delegate's letter of denial for the marketing approval of its ArTiMist oral spray. SUDA subsequently lodged an appeal under Section 60 of the Therapeutic Goods Act of 1989 in August 2019. The outcome of the appeal was that the Ministers Delegate upheld the original decision to deny the approval of ArTiMist.

During the review the three key sections of the application covering the Pre-clinical, Clinical and Chemistry Manufacturing and Control aspects of the application were reviewed in detail. These sections cover the quality, safety and efficacy of the proposed drug product. All sections were reviewed by the appropriate sections within the TGA and the reviewer, based on the information provided and reviewed, recommended the product for approval.

The reason for the decision was stated as; "that the Delegate was not satisfied that the safety and efficacy of the product had been satisfactorily established for the purpose for which it is intended for use."

A key recurring reason that appears throughout the decision document was that the Delegate had concerns with regard the use of an artemisinin monotherapy and the potential of misuse or abuse that may result in the formation of artemisinin resistance. The Delegate believes that this results in "an overall negative benefit to risk profile for ArTiMist."

The Delegate was further concerned that due to the low level of adherence to current treatment guidelines in malarial endemic areas, the ease of use of ArTiMist and the number of doses in a vial, could lead to further non-compliance to treatment guidelines that may result in the occurrence of further resistance.

As an outcome of the TGA decision, the Company has fully impaired the carrying value of ArTiMist by $5,344,150.

The Board continues to assess alternatives for the ArTiMist project.

After balance date events

On 2 January 2020, the Company issued unlisted options to Paul Hopper, Executive Chairman, under the Company's ESOP pursuant to resolution of shareholders at the Annual General Meeting held 12 November 2019 and 2,800,000 unlisted options to Michael Baker, CEO, under the Company's ESOP as outlined in the announcement of 27 November 2019.

Other than noted above, there has not been any 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.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2019.

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

....
Paul Hopper
Executive Chairman
Dated at Perth this 26 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Suda Pharmaceuticals Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
26 February 2020

L Di Giallonardo
Partner

hlb.com.au

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2019

	Note	Group 31 Dec 2019 $	Group 31 Dec 2018 $
Revenue from contracts with customers	2	369,819	822,980
Interest income		14,072	17,240
Other income		13,433	31,695
Raw materials and consumables used		(135,338)	(24,085)
Employee benefits expense		(725,700)	(560,247)
Amortisation expense		(174,702)	(174,702)
Depreciation expense		(112,335)	(51,000)
Impairment of intangible assets	7	(5,490,472)	-
Finance costs		(10,073)	(121,838)
Other expenses		(1,448,112)	(810,349)
Loss before income tax		**(7,699,408)**	**(870,306)**
Income tax benefit		-	-
Loss after tax from continuing operations		**(7,699,408)**	**(870,306)**
Net loss for the period		**(7,699,408)**	**(870,306)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(7,699,408)**	**(870,306)**
Earnings per share			
From continuing operations			
- Basic and diluted loss per share (cents)	4	(5.41)	(0.93)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	Group 31 Dec 2019 $	Group 30 Jun 2019 $
ASSETS			
Current assets			
Cash and cash equivalents		2,388,521	4,313,562
Trade and other receivables		340,491	1,120,870
Inventories		21,801	45,409
Other assets		65,693	115,278
Total current assets		**2,816,506**	**5,595,119**
Non-current assets			
Property, plant and equipment		423,908	367,370
Right-of-use assets	6	95,078	-
Intangible assets	7	4,764,965	10,290,825
Total non-current assets		**5,283,951**	**10,658,195**
Total assets		**8,100,457**	**16,253,314**
LIABILITIES			
Current liabilities			
Trade and other payables		1,175,651	1,312,358
Lease liabilities	8	68,891	-
Borrowings		26,389	36,206
Total current liabilities		**1,270,931**	**1,348,564**
Non-current liabilities			
Trade and other payables		510,353	910,353
Lease liabilities	8	33,438	-
Borrowings		7,656	16,909
Total non-current liabilities		**551,447**	**927,262**
Total liabilities		**1,822,377**	**2,275,826**
Net assets		**6,278,080**	**13,977,488**
EQUITY			
Issued capital	9	67,385,981	67,385,981
Reserves		2,303,384	2,303,384
Accumulated losses		(63,411,285)	(55,711,877)
TOTAL EQUITY		**6,278,080**	**13,977,488**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2019

	Notes	Issued Capital $	Accumulated Losses $	Share-based Payment Reserve $	Minority Interest Acquisition $	Total $
Balance as at 1 July 2018		57,204,713	(47,916,838)	772,574	1,404,267	11,464,716
Shares issued during the half year		6,789,087	-	-	-	6,789,087
Share issue costs		(238,641)	-	40,000	-	(198,641)
Loss for the period		-	(870,306)	-	-	(870,306)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the period		-	(870,306)	-	-	(870,306)
Balance as at 31 December 2018		63,755,159	(48,787,144)	812,574	1,404,267	17,184,856
Balance as at 1 July 2019		67,385,981	(55,711,877)	899,117	1,404,267	13,977,488
Loss for the period		-	(7,699,408)	-	-	(7,699,408)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the period		-	(7,699,408)	-	-	(7,699,408)
Balance as at 31 December 2019		67,385,981	(63,411,285)	899,117	1,404,267	6,278,080

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2019

		Group	
		31 Dec 2019	**31 Dec 2018**
	Notes	**$**	**$**
Cash flows from operating activities			
Receipts from customers		338,290	603,300
Payments to suppliers and employees		(2,673,208)	(2,416,773)
Receipts for R&D tax incentives		927,970	745,245
Interest received		14,072	17,240
Finance costs		(1,529)	(8,963)
Net cash (outflow) from operating operations		(1,394,405)	(1,059,951)
Cash flows from investing activities			
Payment for development of products		(393,578)	(460,541)
Payment for property, plant & equipment		(137,057)	(247,482)
Net cash (outflow) from investing activities		(530,635)	(708,023)
Cash flows from financing activities			
Proceeds from share issues (net of capital raising costs)		-	4,434,421
Repayment of borrowings		-	(140,000)
Proceeds from borrowings		-	140,000
Net cash inflow from financing activities		-	4,434,421
Net increase / (decrease) in cash held		(1,925,041)	2,666,447
Cash and cash equivalents at the begining of period		4,313,562	98,125
Cash and cash equivalents at the end of period		2,388,521	2,764,572

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation

These condensed interim consolidated financial statements are general purpose financial statements and have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134: *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the full financial report. It is recommended these interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2019 and any public announcements made by Suda Pharmaceuticals Ltd and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations described in note 1(b) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report has been prepared on an historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

(a) Statement of compliance

The interim financial report was authorised for issue on 26 February 2020.

The interim 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 interim financial report and notes thereto, complies with International Financial Reporting Standards (IFRS).

(b) Adoption of new and revised standards

New Standards and Interpretations applicable for the half year ended 31 December 2019

For the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information.

The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 13.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. 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.

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONT)

(c) Going concern

Notwithstanding the fact that the Group incurred an operating loss of $7,699,408 for the period ended 31 December 2019 and a net cash outflow from operating activities amounting to $1,394,405, the Directors are of the opinion that the Company is a going concern for the following reasons:

- The Directors anticipate that a further equity raising will be required and will be completed in 2020.
- 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 Company will be available 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 Company will be successful in the above matter and accordingly have adopted the going concern basis of the preparation of the financial report.

(d) Significant Accounting Estimates and Judgements

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019, except for the impact of the new Standards and Interpretations effective 1 July 2019 as disclosed in note 1(b).

NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives its revenue from the sale or licence of goods and the provision of services at a point in time and over time in the timing of transfer of goods or service (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time). This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see note 3).

	Six months to 31 Dec 2019 $	Six months to 31 Dec 2018 $
At a point in time		
Sale or license of goods	343,503	797,280
Co-development revenue	26,316	25,700
Over time		
Sale or license of goods	-	-
Co-development revenue	-	-
Total revenue	369,819	822,980

NOTE 3: SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Management currently identifies the following operating segments:

i. Suda: the pharmaceutical development segments and performs research and development to create new human pharmaceutical products by combining proven drugs with innovated, patented, delivery technologies.

ii. Malaria Research Company (MRC): pharmaceutical development segment for the treatment of malaria, i.e. ArTiMist® project.

NOTE 3: SEGMENT INFORMATION (CONT)

Description of segments

The operating segments are monitored by the Group's Chief Operating Decision Maker and strategic decisions are made on the basis of adjusted segment operating results.

The accounting policies of the reportable segments are the same as Group accounting policies.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half years ended 31 December 2019 and 31 December 2018.

	Continuing operations		Unallocated	
Primary reporting: Business Segments:	**Suda**	**MRC**	**items**	**Total**
	$	**$**	**$**	**$**
6 months ended 31 December 2019				
Segment revenue[1]	369,819	-	-	369,819
Segment profit/(loss)	(2,319,036)	(5,705,310)	324,938	(7,699,408)
Segment assets	8,097,289	3,168	-	8,100,457
Segment liabilities	1,821,963	254	160	1,822,377

Note 1: The revenue reported above represents revenue generated from external customers.
Intersegment revenues have been eliminated.

	Suda	MRC	Unallocated items	Total
6 months ended 31 December 2018				
Segment revenue[1]	822,980	-	-	822,980
Segment profit/(loss)	(843,670)	(26,636)	-	- 870,306
Segment assets[2]	7,768,662	12,206,095	(660,824)	19,313,933
Segment liabilities[2]	2,128,231	257	589	2,129,077

Note 1: The revenue reported above represents revenue generated from external customers.
Intersegment revenues have been eliminated.

Note 2: The segment assets and segment liabilities have been restated to eliminate inter-segment balances in continuing operations.

NOTE 4: EARNINGS PER SHARE

Basic and diluted earnings per share

	Consolidated	
	Six months to 31 Dec 2019	Six months to 31 Dec 2018
	Cents per share	Cents per share
Basic earnings per share	(5.41)	(0.93)
Basic earnings per share from continuing operations	(5.41)	(0.93)
Diluted earnings per share	(5.41)	(0.93)
Diluted earnings per share from continuing operations	(5.41)	(0.93)

NOTE 4: EARNINGS PER SHARE (CONT)

Earnings

Earnings used in the calculation of basic and diluted earnings per share is as follows:

	Consolidated	
	Six months to 31 Dec 2019	Six months to 31 Dec 2018
	$	$
Earnings used in the calculation of basic earnings per share	(7,699,408)	(870,306)
Earnings from continuing operations used in the calculation of basic earnings per share	(7,699,408)	(870,306)

Weighted average number of ordinary shares

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

	2019	2018
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	142,254,865	93,781,063
Weighted average number of ordinary shares for the purpose of diluted earnings per share	142,254,865	93,781,063

The Company completed the consolidation of its share capital on a one (1) for twenty-five (25) basis (the "Consolidation") during the current period (refer to Note 9). The Consolidation was approved by shareholders at the Annual General Meeting of the Company held on 12 November 2019.

Comparatives have been restated due to the consolidation of share capital (refer to note 9)

NOTE 5: DIVIDENDS

The Board of Directors of Suda Pharmaceuticals Ltd does not recommend the payment of an interim dividend for the period ended 31 December 2019.

NOTE 6: RIGHT-OF-USE ASSETS

Carrying value

	Consolidated	
	Premises	Total
Cost	133,109	133,109
Accumulated depreciation	(38,031)	(38,031)
Carrying value as at 31 December 2019	95,078	95,078

NOTE 6: RIGHT-OF-USE ASSETS (CONT)

Reconciliation

	Consolidated	
31 December 2019	Premises ($)	Total ($)
Recognised on 1 July 2019 on adoption of AASB 16	133,109	133,109
Additions	-	-
Disposals	-	-
Depreciation expense	(38,031)	(38,031)
Closing balance	95,078	95,078

AASB 16 has been adopted during the period, refer note 13 for details.

NOTE 7: INTANGIBLE ASSETS

	31 Dec 2019 $	30 June 2019 $
Development Costs		
Opening balance as at 1 July	10,290,825	15,398,790
Additions for the period	139,314	1,518,197
Amortisation for the period	(174,702)	(349,404)
Impairment (note i)	(5,490,472)	(6,276,758)
Net carrying value	4,764,965	10,290,825

Impairment

i. ArTiMist

The Company has taken into consideration the notice of denial for marketing approval received 14 May 2019 and notice of denial announced 1 October 2019 following the Company's appeal, assessed recoverable amount and has taken a conservative approach and recognised an impairment loss of an additional $5,344,150 (30 June 2019: $6,276,758). The carrying value of ArTiMist at reporting date is $nil (30 June 2019: $5,338,148).

The impairment loss has been recognised in the statement of profit or loss and other comprehensive income.

NOTE 8: LEASE LIABILITIES

	Consolidated	
	Premises	Total
Current liabilities	68,891	68,891
Non-current liabilities	33,438	33,438
	102,329	102,329

NOTE 8: LEASE LIABILITIES (CONT)

Reconciliation

	Consolidated	
31 December 2019	Premises	Total
Recognised on 1 July 2019 on adoption of AASB 16	133,109	133,109
Principal repayments	(30,780)	(30,780)
Disposals	-	-
Closing balance	102,329	102,329

AASB 16 has been adopted during the period, refer note 13 for details.

The Group leases a number of assets including premises, plant and equipment. The average lease term is 3 years.

NOTE 9: ISSUED CAPITAL

	Consolidated	
(a) Ordinary Shares	Six months to 31 Dec 2019 **$**	Year to 30 June 2019 **$**
142,254,397 (30 June 2019: 3,556,371,635) Ordinary shares Issued and fully paid	67,385,981	67,385,981

Movement in ordinary shares on issue	Six months to 31 December 2019		Year to 30 June 2019	
	Number	$	Number	$
Balance at beginning of period	3,556,371,635	67,385,981	1,224,141,804	57,204,713
Shares issued during the previous year (net of costs)	-	-	2,332,229,831	10,181,268
Share consolidation on 25:1 basis	(3,414,117,238)	-	-	-
Balance at end of the period	142,254,397	67,385,981	3,556,371,635	67,385,981

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

As a result of the Consolidation, the post consolidation shares and options in the Company are as follows:

Securities	**Number of securities on issue (pre-consolidation)**	**Number of securities on issue (post-consolidation)**
Fully-paid Ordinary Shares	3,556,371,635	142,254,397
Listed Options – SUDOC	698,908,634	27,956,286
Listed Options – SUDOD	517,206,121	20,688,051
Unlisted Options - various	27,500,000	1,100,000

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

On 2 January 2020, the Company issued unlisted options to Paul Hopper, Executive Chairman, under the Company's ESOP pursuant to resolution of shareholders at the Annual General Meeting held 12 November 2019 and 2,800,000 unlisted options to Michael Baker, CEO, under the Company's ESOP as outlined in the announcement of 27 November 2019.

Other than noted above, there has not been any 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.

NOTE 11: COMMITMENTS AND CONTINGENCIES

There has been no change in contingent liabilities since the last annual reporting date with the exception to the guarantees in relation to the convertible notes which had been fully redeemed in the period.

NOTE 12: FINANCIAL INSTRUMENTS

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. The Directors consider that the carrying amounts of these financial assets and liabilities are a reasonable approximation of their fair values.

NOTE 13: NEW STANDARDS ADOPTED

AASB 16 Leases

Change in accounting policy

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

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial Impact on retained earnings under this approach, and comparatives have not been restated.

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

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

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

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.

NOTE 13: NEW STANDARDS ADOPTED (CONT)

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 us a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

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

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

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

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

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 15%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised ln the Statement of Financial Position as at 30 June 2019.

In the Condensed Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of $133,109 and lease liabilities of $133,109 in respect of all operating leases, other than short-term leases and leases of low-value assets.

The net impact on retained earnings on 1 July 2019 was $nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation 4;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, with no right-of-use asset nor lease liability recognised;
- Relying on historic assessments of whether leases were onerous instead of performing impairment reviews of right-of-use assets immediately prior to the date of initial application of AASB 16;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTE 13: NEW STANDARDS ADOPTED (CONT)

Reconciliation of operating lease commitments previously disclosed and lease liabilities on 1 July 2019

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	2019
Operating lease commitments disclosed as at 30 June 2019	216,605
Discounted using the lessee's incremental borrowing rate at the date of initial application	-
Less: Short term leases recognised on a straight-line basis as an expense	(25,536)
Less: Low value leases recognised on a straight-line basis as an expense	-
Less: Contracts reassessed as service agreements	(149,195)
Add: Adjustment as a result of a different treatment of extension and termination options	91,235
Lease liabilities as at 1 July 2019	133,109

DIRECTORS' DECLARATION

The Directors of Suda Pharmaceuticals Ltd ("Company") declare that:

1. the attached financial report and notes thereto are in accordance with the Corporations Act 2001, including:
    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

....
Paul Hopper
Executive Chairman

Dated at Perth this 26 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Suda Pharmaceuticals Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Suda Pharmaceuticals Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
26 February 2020