APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2021
ZELIRA THERAPEUTICS LTD

ABN 27 103 782 378

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period	**12 months ended 30 June 2021**
Prior Period	**12 months ended 30 June 2020**

2. Results for announcement to the market

				% Change		
Consolidated Group	**Item**		**AUD $**			**AUD $**
Revenue – excluding interest received	**2.1**	**up**	**654,715**	**99**	**to**	**663,316**
Loss after tax attributable to members	**2.2**	**up**	**1,444,034**	**20**	**to**	**8,549,079**
Net loss attributable to members	**2.3**	**up**	**1,444,034**	**20**	**to**	**8,549,079**
Dividend	**2.4**	N/A				

Overview

The principal activities of Zelira Therapeutics Limited and its controlled entities ("Group") during the financial year includes the following:

Zelira Therapeutics Ltd is a leading global cannabinoid-based biopharmaceutical company with access to the world's largest and fastest growing markets. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to enter global markets. The Company is focused on developing branded cannabinoid-based medicines for the treatment of a variety of medical conditions in its prescription [Rx] business, including insomnia, autism and chronic non-cancer pain as well as offering over the counter [OTC] products.

Overview of results

A summary of the operating results for the year ended 30 June 2021 is as follows:

- Loss after tax was $8,549,079 representing a 20% increase on FY2020 ($7,015,045).
- Net cash outflow from operating activities was $8,616,584 representing an 24% increase on FY2020 ($6,936,276).

Financial Position

The net assets of the consolidated Group increased by $3,282,714 from $34,546,925 at 30 June 2020 to $37,829,639 at 30 June 2021. This increase relates mainly to the following factors:

- Increase of cash of $3,274,076 following successful oversubscribed Placement in August 2020 and further Placement to Thorney Investment Group on September 2020;
- Gross profit of $435,094;
- Research and development expenditure of $2,081,085;
- All other expenditure of $8,332,149, including;
    - Changes in fair value of financial assets at fair value through profit and loss of $175,084; and
    - Share based payments expenditure of $1,303,622, being offset by
- Research and development incentive income of $1,428,338

Notwithstanding the net loss and increase in cash utilised in operating activities, the Group is able to maintain a healthy working capital ratio. The Group's working capital has increased from $1,162,501 as at 30 June 2020 to $5,014,801 at 30 June 2021.

Significant Changes in the State of Affairs

Refer to attached financial statements

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Refer to attached financial statements.

4. Consolidated Statement of Financial Position

Refer to attached financial statements.

5. Consolidated Statement of Cashflow

Refer to attached financial statements.

6. Dividends Paid or Recommended

The Directors have not recommended or paid a dividend**.**

7. Details of any Dividend or distribution reinvestment plans

The Company does not have any distribution reinvestment plans.

8. Statement of movements in Retained Earnings

Refer to attached financial statements.

9. Net tangible assets per security

	30 June 2021	30 June 2020
Number of securities	1,190,322,966	966,298,406
Net tangible assets per security in cents	0.50	0.26

10. Control gained over entities

The Company did not gain control over entities during the period.

11. Details of associates and joint venture entities

The Company does not have any associates or joint venture entities.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer to attached financial statements.

13. Foreign entities disclosures

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

14. Additional information

Loss per Share on continuing operations	**30 June 2021**	**30 June 2020**
Basic (loss) earnings per share in cents	(0.73)	(0.83)
Diluted (loss) earnings per share in cents	(0.73)	(0.83)

After Balance Date Events

Refer to attached financial statements.

15. Compliance Statement

This report should be read in conjunction with the audited Zelira Therapeutics Limited financial report for the year ended 30 June 2021 and is lodged with the ASX under listing rule 4.3A.

Signed in accordance with a resolution of the Board of Directors of Zelira Therapeutics Limited:

Dr. Oludare Odumosu
Managing Director
Dated this 30th day of August 2021

ZELIRA THERAPEUTICS LTD

ABN 27 103 782 378

ANNUAL REPORT
For the Year Ended
30 June 2021

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

CORPORATE DIRECTORY

CHAIRMAN
Osagie Imasogie

MANAGING DIRECTOR
Dr Oludare Odumosu

NON-EXECUTIVE DIRECTORS
Harry Karelis (Deputy Chair)
Jason Peterson
Lisa Gray

COMPANY SECRETARY
Tim Slate

PRINCIPAL & REGISTERED OFFICE
Level 3, 101 St George's Terrace
PERTH WA 6000
AUSTRALIA
Telephone: +61 8 6558 0886
Facsimile: +61 8 6316 3337

AUDITORS
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Level 4, 130 Stirling Street
PERTH WA 6000
AUSTRALIA

SHARE REGISTER
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Level 11, 172 St Georges Terrace
PERTH WA 6000
AUSTRALIA
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

SECURITIES EXCHANGE LISTING
Australian Securities Exchange (ASX) Code: ZLD
(Home Exchange: Perth, Western Australia)

OTCQB Venture Market (USA) Code: ZLDAF

BANKERS
Westpac Banking Corporation
109 St George Terrace
PERTH WA 6000
AUSTRALIA

ATTORNEYS
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000
AUSTRALIA

DIRECTORS' REPORT

Your directors present their report on Zelira Therapeutics Limited (**Zelira** or **the Company**) for the financial year ended 30 June 2021.

DIRECTORS

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

Osagie Imasogie	Chairman
Harry Karelis	Deputy Chairman
Oludare Odumosu	Managing Director
Jason Peterson	Non-Executive Director
Lisa Gray	Non-Executive Director
Richard Hopkins	Managing Director (resigned 15 May 2021)

Details on the background and qualifications of directors is contained elsewhere in this report.

COMPANY SECRETARY

Mr. Tim Slate was appointed as Company Secretary on 20 October 2016. Mr. Slate has a Bachelor of Commerce from the University of Western Australia, is a Chartered Accountant, is an Associate Member of the Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors. Mr. Slate provides accounting and secretarial advice to private and public companies. Mr Slate has over ten years' experience in chartered accounting.

PRINCIPAL ACTIVITIES

Zelira Therapeutics Ltd is a leading global cannabinoid-based biopharmaceutical company with access to the world's largest and fastest growing markets. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to enter global markets. The Company is focused on developing branded cannabinoid-based medicines for the treatment of a variety of medical conditions in its prescription [Rx] business, including insomnia, autism and chronic non-cancer pain as well as offering over the counter [OTC] products.

DIRECTORS' REPORT

RESULTS

A summary of the operating results for the year ended 30 June 2021 is as follows:

- Maiden revenues achieved totalling $663,316 driven by growth in SprinjeneCBD sales, Rx sales, product development agreement, clinical trial management and product licensing fees from Levin Health.
- Loss after tax was $8,549,079 representing a 22% increase on FY2020 ($7,015,045). The loss mainly reflects the research and development activities of the Group as well as administration costs.
- Net cash outflow from operating activities was $8,616,584 representing an 24% increase on FY2020 ($6,936,276).

Zelira's financial results for the year ended 30 June 2021 reflect the Company's focus on the expansion of commercialisation activities and revenue generation from new clinically tested products, with the commercialisation program expected to lead to the launch of a suite of new cannabinoid-based products over FY22.

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2021.

		30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
EBITDA[1]	$	(8,074,824)	(6,740,368)	(3,657,941)	(1,868,375)	(6,089,700)
Net profit/(loss) before tax	$	(8,549,079)	(7,015,045)	(3,567,802)	(1,729,806)	(6,157,415)
Net profit/(loss) after tax	$	(8,549,079)	(7,015,045)	(3,567,802)	(1,729,806)	(6,157,415)
Share price at start of year	cps	4.3	4.0	9.0	7.4	2.5
Share price at end of year	cps	4.3	4.3	4.0	9.0	7.4
Basic loss per share (cents per share)	cps	(0.73)	(0.83)	(0.47)	(0.23)	(1.24)
Diluted loss per share (cents per share)	cps	(0.73)	(0.83)	(0.47)	(0.23)	(1.24)
Return on Capital	cps	(0.23)	(0.27)	(0.26)	(0.12)	(0.45)

Note 1: EBITDA is a non-IFRS measure which represents earnings before interest, tax, depreciation and amortisation.

		30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
					$	$
Net profit/(loss) after tax	$	(8,549,079)	(7,015,045)	(3,567,802)	(1,729,806)	(6,157,415)
Interest	$	-	(374)	90,139	138,569	67,715
Depreciation and amortisation	$	474,255	275,051	-	-	-
EBITDA[1]	$	(8,074,824)	(6,740,368)	(3,657,941)	(1,868,375)	(6,089,700)

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Zelira Therapeutics Ltd is a leading global biopharmaceutical company manufacturing and marketing cannabinoid-based medicines. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to access the world's largest and fastest growing markets. The Company is focused on developing and clinically validating branded cannabinoid-based medicines for the treatment of a variety of medical conditions in its Rx business, including insomnia, autism and chronic non-cancer pain as well as offering over the counter (OTC) products.

The Company has two proprietary formulations under the HOPE™ brand that are generating revenues in Australia, Louisiana and Washington D.C. with other States in the US expected to follow.

Zelira is also generating revenue in Australia from its proprietary and patented Zenivol™ - a leading cannabinoid-based medicine for treatment of chronic insomnia. Zenivol™ has successfully completed the world's first cannabinoid-based efficacy trial for chronic insomnia where it was found to be a safe and effective treatment. This clinical trial was published in the prestigious peer-reviewed journal SLEEP®.

In 2020, Zelira partnered with SprinJene®Natural to develop and commercialise natural and organic oral care products under the SprinjeneCBD brand, as part of Zelira's OTC business. The SprinjeneCBD toothpaste product is the first of several scientifically formulated, hemp-derived, oral care products containing cannabinoids and based on the proprietary and patented technology of Blackseed oil and Zinc.

The Company has worked in partnership with world-leading researchers and organisations, which since inception include Curtin University in Perth, Western Australia; the Telethon Kids Institute in Perth; the University of Western Australia, in Perth; St. Vincent's Hospital in Melbourne, Australia; and the Children's Hospital of Philadelphia (CHOP) in the United States.

Zelira significantly progressed its growth strategy over FY21, achieving key milestones set by the new leadership team, and also bringing forward future development and commercialisation milestones following the successful capital raisings undertaken.

1) *Agreement with Cardiovascular Solutions of Central Mississippi (CVSCM) to develop and commercialise products targeting Peripheral Arterial Disease (PAD)*

In July 2020, Zelira entered into a binding product development agreement with USA-based CVSCM to develop products that target symptoms associated with PAD. PAD is the leading cause of non-traumatic amputations in the USA. For the 30 million Americans who suffer from diabetes, 1 out of 3 over the age of 50 will develop PAD. The products to be developed by Zelira under this agreement will be based on CBD and other cannabinoids derived from hemp which can facilitate a faster path to market. These products will provide novel and proprietary therapeutic options with potentially improved efficacy and better tolerability to target a significant unmet medical need.

Under the Agreement, CVSCM paid a six-figure upfront fee and will pay double-digit royalties on the commercialized products that result from the Agreement. CVSCM has exclusive marketing rights to the USA market and Zelira retains rights for all other markets, ex-USA.

DIRECTORS' REPORT

2) Phase 1 Dose Escalation Study in chronic pain patients on long-term opioid treatment met primary and secondary endpoints

In July 2020, Zelira received the final clinical report for its Phase 1 dose escalation trial in chronic pain patients on long-term high-dose opioid treatment. The trial successfully met its primary and secondary endpoints for safety and efficacy. These trial results informed the design of the trial being undertaken with Levin Health targeting retired athletes with chronic pain (see below) and also accelerate plans to expand Zelira's portfolio of chronic pain products, supported by clinical trial data.

3) HOPE™ launched in Louisiana

In August 2020, Zelira launched HOPE™ 1 & 2 in the state of Louisiana, USA, through licensee Advanced Biomedics. Under the terms of the licensing agreement, Zelira received an up-front payment and will receive revenue from ongoing royalties from HOPE™ sales in Louisiana. HOPE™ was previously launched in Pennsylvania (PA), USA, in May 2019 under Ilera Healthcare, which holds the license for that State, and Zelira is aiming to repeat the success of HOPE™ in PA where it has established itself as one of the top selling medicinal cannabis products.

4) Zenivol™ launched in Australia as the world's most clinically validated cannabinoid-based treatment for chronic insomnia

In September 2020, following its successful clinical trial, Zenivol™, Zelira's proprietary cannabinoid medicine, was approved by the Therapeutics Goods Administration (TGA) for prescription to patients in Australia via its Special Access Scheme. Approximately 10% of Australians suffer from chronic insomnia with 1 in 5 of those failing all existing medications, i.e. 2% of the Australian population, and potentially looking for clinically validated alternatives.

Zenivol™ successfully completed a world-first 23 patient randomised, double-blinded, placebo controlled cross-over designed Phase 2A clinical trial in patients suffering from chronic insomnia. The results of this trial confirmed that Zenivol™ is a safe and effective therapy for chronic insomnia.

In June 2021, the trial results of the University of Western Australia's investigational team that undertook the insomnia study were published in the Sleep Research Society's peer-reviewed journal for all sleep-related conditions, SLEEP®.

5) Real-world data agreement for insomnia drug Zenivol™ signed with Emyria

In September 2020, Zelira entered into an agreement with Emyria Ltd (formerly Emerald Clinics) (ASX:EMD), a leader in the collection and translation of real-world patient data, to collect data from patients treated with Zenivol™ in Emyria's network of specialist medical clinics. Real-world data collected from patients will complement the existing clinical data-pack for Zenivol™ and will be used to inform further clinical development and, evaluation of the path to product registration.

6) HOPE™ Autism Products Launched in Australia as TGA Adds to Special Access Scheme

In October 2020, Zelira's proprietary cannabinoid medicines, HOPE 1™ and HOPE 2™, were made available for prescription to patients in Australia through the TGA Special Access Scheme and via Authorised Prescribers. HOPE™ is part of Zelira's family of revenue generating medicinal cannabis formulations. The products consist of two pharmaceutical-grade proprietary formulations developed as pharmaceutical-grade products targeting Autism Spectrum Disorder (ASD) as a disease indication.

DIRECTORS' REPORT

7) Zelira partners with Emyria for Autism Observational Trial for HOPE™ Products

To support the Australian launch of HOPE™, in November 2020 Zelira partnered with Emyria to undertake an Observational Trial in patients diagnosed with ASD treated with the HOPE range of products. The Observational Trial will be one of the largest medicinal cannabis studies ever undertaken involving a specific range of products in patients diagnosed with ASD. The study design will facilitate strategic engagement with key stakeholders in the Autism community and streamline patient access via Emyria's national network of specialist medical clinics – Emerald Clinics.

8) Zelira partners with SprinJene® to Launch CBD Toothpaste in the USA

In December 2020 Zelira launched its proprietary CBD toothpaste in the USA in partnership with SprinJene®, a leader in natural oral care products. The CBD toothpaste is a proprietary formulation developed by Zelira and SprinJene's® CEO and Founder Dr Sayed Ibrahim. The product is the first of several scientifically formulated, hemp-derived, oral care products containing cannabinoids, including broad-spectrum CBD, that will be created and launched under Zelira's Oral Care subsidiary.

The Zelira-SprinJene® CBD product is being distributed in the USA through SprinJene's® existing distribution channels including retail stores such as Bed Bath & Beyond, Central Market, Sprouts, Lassen's, Haggens, and VitaCos and e-commerce platforms such as Amazon. SprinJene® was launched in the UK in June 2021, and discussions are ongoing to access SprinJene's® global distribution networks in France, Russia, Singapore, Ukraine, China, Morocco, United Arab Emirates, Saudi Arabia and Sudan Shoprite.

9) Management restructure underpins the Company's next growth phase

In February 2021, Zelira announced that as part of a strategic consolidation of Zelira's operations, leadership was transferred to the USA- based team and Dr Oludare Odumosu had assumed the role of Global Managing Director. This allows Zelira to optimise its exposure to the rapidly expanding USA cannabis sector while also continuing to grow its revenues in ex-USA markets. The Company thanks previous CEO & Managing Director Dr Hopkins for all his efforts in taking Zelira's ex-USA operations forward during his tenure and wishes him well in his future career.

10) Appointed to the Board of Directors of the National Cannabis Roundtable (NCR) in Washington DC

In February 2021, Zelira was appointed to NCR's Board of Directors, and is being represented by Managing Director Dr Oludare Odumosu. The NCR is a non-partisan advocacy group focused on federal cannabis reform in the USA. As part of its reform agenda, NCR is seeking to balance respect for state-legal cannabis programs with common-sense federal regulation in the USA, in order to realise the full potential of the legal cannabis industry for patients, consumers and as a driver of the American economy.

11) HOPE™ range of autism spectrum disorder products available for sale to approved dispensaries in Washington DC

Since May 2021, Alternative Solutions LLC, a licensed grower, manufacturer, and distributor of medical cannabis products, has been distributing Zelira's HOPE™ range of products in the District of Columbia (Washington DC). Washington DC has reciprocity with 32 other States in the USA with approved medical cannabis programs.

DIRECTORS' REPORT

As such, the market for Zelira's HOPE™ range of products is far larger than just the population of the District of Columbia as all patients registered in the 32 reciprocal States can legally purchase Zelira's medical cannabis products at an approved dispensary in Washington DC.

12) CBD toothpaste to launch in the United Kingdom (UK) via exclusive distribution agreement with Health House International

In June 2021, Zelira signed a five year exclusive distribution agreement with Health House International Limited (ASX:HHI) (Health House) in the UK. Health House will purchase and exclusively distribute a minimum US$250,000 worth of Zelira's CBD toothpaste over the first six months of the agreement, and a further US$250,000 worth over the second six months.

This distribution agreement further expands the availability of Zelira's SprinjeneCBD toothpaste brand beyond USA. The UK market provides significant growth opportunities for Zelira's clinically validated, hemp-derived oral care products.

13) Levin Health Licensing and Management Agreement to conduct Chronic Pain Treatment Clinical Trial on retired athletes

In June 2021, Zelira licensed a proprietary cannabinoid formulation to Levin Health Limited (Levin Health) for the purpose of undertaking a clinical trial to test the efficacy of the formulation in treating sports-related chronic pain experienced by retired professional and amateur athletes. While clinical data is currently limited, medicinal cannabis may provide a safe and effective targeted treatment for this type of pain.

Levin Health will be paying for the trial and is engaging Zelira to project manage the clinical trial to be undertaken at La Trobe University's Sport and Exercise Medicine Research Centre in Victoria, Australia. This targeted approach provides an opportunity to build a leading international brand supported by clinical data that addresses a specific and widespread unmet global medical need.

Subject to a successful clinical trial, Zelira will have primary marketing rights for North & South America and Levin will have primary marketing rights outside of North & South America. The parties have a 50/50 profit sharing arrangement with regards to all worldwide sales of the product.

14) Breakthrough research demonstrates significant uptake of CBD into the brain

In June 2021, Zelira announced that a Company-funded team of researchers at Curtin University (Australia) had developed a new technology that improves delivery of cannabidiol based drugs into the brains of mice at a rate up to 40-times more than has previously been delivered. The technology has potential for cannabinoid-based therapies to treat neurological disorders such as Alzheimer's disease, multiple sclerosis, and traumatic brain injury. This research was published in the leading peer reviewed open access scientific journal PLOS ONE.

15) Clinical trial results of Zenivol® published in the prestigious peer-reviewed journal SLEEP®

Also in June 2021, the trial results of the University of Western Australia's investigational team that undertook the double-blind, placebo controlled, cross-over trial of Zelira's ZTL-101 (on market as Zenivol®) in chronic insomnia patients were published in the Sleep Research Society's peer-reviewed journal for all sleep-related conditions, SLEEP®.

DIRECTORS' REPORT

Significantly strengthened balance sheet

In August 2020, Zelira successfully completed a strongly supported and oversubscribed A$8.75 million Placement (before costs) at an offer price of $0.05 per share. The Placement was made to Australian and USA-based sophisticated and institutional investors.

A further A$2 million Placement was made to Thorney Investment Group (Thorney Placement) in September 2020, that increased their interest to become a substantial shareholder with a 5.2% stake in the Company. New shares were issued under the Thorney Placement at A$0.054 per share, and subject to shareholder approval at Zelira's Annual General Meeting in November 2021, the Company will issue Thorney a one-for-one free attaching unquoted option, exercisable at A$0.07 and expiring two years from the date of issue.

The capital raised has enabled Zelira to accelerate commercialisation, launch five products into global markets, and leverage its unique 'Launch, Learn and Develop' model to launch products, generate revenues, and progress development of clinically validated medicines.

Post balance date achievement: Zelira USA observational clinical pain trial receives IRB approval

In July 2021, Zelira announced that it had obtained IRB approval for its 12-week Observational Clinical Study to evaluate the efficacy, safety and tolerability of its proprietary, patent protected product against a multi-billion-dollar Big Pharmaceutical company drug. Zelira confirmed it had successfully navigated a unique regulatory path for this trial and looks forward to the results of the study, which are anticipated in the first half of CY2022.

Zelira continues to lead the world in creating and validating proprietary products such as Zenivol®, with a focus on taking these drugs through regulatory registration.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed under Review of Operations.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

AFTER BALANCE DATE EVENTS

There are no events of a material nature or transaction, that have arisen since year end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

FUTURE DEVELOPMENTS

Zelira's commercialisation plans are focused on generating revenues from the multiple products it has launched into the Australian and USA markets, and continuing to launch new product lines while expanding into new geographies such as the United Kingdom and Germany.

Zelira remains focused on its clinical activities to develop and evaluate the efficacy, safety and tolerability of its proprietary formulations and products.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year and the number of meetings attended by each director are:

	Directors' Meetings	
Director	Number Eligible to Attend	Meetings Attended
Osagie Imasogie	10	10
Harry Karelis	10	10
Oludare Odumosu	10	10
Jason Peterson	10	10
Lisa Gray	10	10
Richard Hopkins	9	7

INFORMATION ON DIRECTORS

Name	**Osagie Imasogie**
Appointed	2 December 2019
Qualifications	Post-graduate degrees from the University of Pennsylvania Law School and the London School of Economics. Trustee of the University of Pennsylvania, a member of the Executive Committee and former Chairman of the Budget & Finance Committee of the University. Chairman of the Board of the University of Pennsylvania Law School - Adjunct Professor of Law.
Experience	Mr Osagie Imasogie has over 30 years of experience in the fields of law, finance, business management, healthcare and the pharmaceutical industry. He is a co-founder and the Senior Managing Partner of PIPV Capital, a Private Equity Firm that is focused on the Life Sciences vertical. Prior to co-founding PIPV Capital, Osagie conceptualised and established GlaxoSmithKline Ventures and was its founding Vice President. Mr. Imasogie has held senior legal, commercial and R&D positions within pharmaceutical companies such as GSK, SmithKline, DuPont Merck and Endo, where he was the founding General Counsel and SVP for Corporate Development. Osagie has also been a Price Waterhouse Corporate Finance Partner as well as a practicing attorney with a leading US Law Firm.
Interest in Shares	16,413,065
Options	-
Performance Rights	58,641,228 Class A Performance Rights 58,641,228 Class B Performance Rights

DIRECTORS' REPORT

Name	**Harry Karelis**
Appointed	17 November 2016
Qualifications	Bachelors and Honours in Science majoring in Biochemistry and Microbiology. Masters of Business Administration from the University of Western Australia. Master of Cyber Security Operations from the University of New South Wales/Australian Defence Force Academy Fellow of the Financial Services Institute of Australia. Fellow of the Australian Institute of Company Directors. Chartered Financial Analyst (CFA) from the CFA Institute in the United States.
Experience	Mr Harry Karelis is the Chairman of Gemelli Group, a privately held investment group involved in a range of projects and has in excess of 28 years diversified experience in the financial services sector including fundamental analysis, funds management and private equity investing and has been involved in numerous cross border activities across a number of countries.
Interest in Shares	49,587,680
Options	6,000,000 unlisted options exercisable at $0.03125 on or before 17 November 2021
Performance Rights	6,250,000 Class A Performance Rights 6,250,000 Class B Performance Rights

Name	**Dr Oludare Odumosu**
Appointed	2 December 2019
Qualifications	PhD in Biochemistry and a Master's in Public Health-Epidemiology and Biostatistics from the Loma Linda University School of Medicine and School of Public Health in Loma Linda, California. BS in Biology from Calvin College in Grand Rapids, Michigan. World Bank Institute Certified public health professional.
Experience	With over 10 years in corporate pharmaceutical business development, strategy & operational leadership including alliance management, Dr. Odumosu brings a unique combination of experiences from several academic, public health and life science organisations. In his recent role as Ilera Healthcare's first Chief Operating Officer, Dr Odumosu led the design, implementation and management of Ilera's business operation's post license award in 2017 through successful, market entry, product commercialization to profitability in 2018. He was also responsible for oversight and management of day to day operation of Ilera's vertically integrated grow/processor, wholesale and dispensary. In the same capacity, He led the formulation of Ilera proprietary cannabinoid-based product. His transition to Chief Scientific Officer/EVP Pharmaceutical Division resulted in a series of product development partnerships and the successful creation of Ilera Therapeutics.
Interest in Shares	5,500,655
Options	25,000,000 unlisted options exercisable at various prices on or before 3 August 2023 subject to vesting conditions.

DIRECTORS' REPORT

Performance Rights	17,558,328 Class A Performance Rights 17,558,328 Class B Performance Rights
Name	**Jason Peterson**
Appointed	17 November 2016
Qualifications	Bachelor of Commerce (Curtin University) Graduate Diploma of Finance from FINSIA (Financial Services Institute of Australia)/SDIA (Securities & Derivatives Institute of Australia).
Experience	Mr Jason Peterson is Managing Director, major shareholder and Head of Corporate of boutique stock broking and corporate finance firm, CPS Capital and has more than 25 years of experience in the finance sector, which he obtained by working in both local and international stockbroking companies. He specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies in addition to reverse takeovers.
Interest in Shares	74,593,965
Options	8,000,000 unlisted options exercisable at $0.03125 on or before 17 November 2021
Performance Rights	6,250,000 Class A Performance Rights 6,250,000 Class B Performance Rights
Name	**Lisa Gray**
Appointed	2 December 2019
Qualifications	Bachelor of Science in Accountancy from Villanova University MBA in Finance from Penn State University Post-Graduate Degree in Marketing Management
Experience	Lisa Gray CPA, CVA has experience in finance, marketing, business development, and operations primarily within the pharmaceutical industry. Lisa was Co-Founder and Vice Chair of Ilera Healthcare, a vertically integrated Grower, Processor and Dispenser of Medicinal Marijuana in Pennsylvania, and was a lead on the sale of this business. Lisa is also the Co-Founder and Managing Partner of PIPV Capital, a Private Equity firm focused on building companies in life sciences, where she manages the financial aspects of the firm and portfolio, generates and leads investments, manages investor communications, and acts as Board Member CEO, CFO, and/or plays various management roles, as necessary, for portfolio companies. Lisa has previously served as COO for GlaxoSmithKline ("GSK") Pharmaceuticals Ventures, a pharmaceutical venture fund, as well as other operations and transactions roles over 13 years with GSK. Prior to joining GSK, Lisa was a management consultant and auditor with Coopers & Lybrand.
Interest in Shares	8,206,565
Options	-
Performance Rights	58,641,228 Class A Performance Rights 58,641,228 Class B Performance Rights

DIRECTORS' REPORT

Name	**Dr Richard Hopkins**
Appointed	16 July 2018
Resigned	15 May 2021
Qualifications	PhD in Molecular Biology from Murdoch University.
Experience	Richard is an experienced bio-pharmaceutical executive with over 11 years in corporate leadership roles with public biotechnology companies. He has an established track record in drug development of novel cancer therapies and has strong experience with corporate strategy, business development and intellectual property matters. During his career, Dr. Hopkins has managed and overseen several strategic alliance and licensing deals with multiple global pharmaceutical partners. Dr. Hopkins has served as Chair of the Western Australian Ausbiotech Committee and is an author on over 30 peer-reviewed publications and is an inventor on 17 patents and patent applications.
Interest in Shares at resignation date	700,000
Options at resignation date	25,000,000 unlisted options exercisable at various prices on or before 19 February 2022 subject to vesting conditions.
Performance Rights at resignation date	6,250,000 Class A Performance Rights 6,250,000 Class B Performance Rights

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	***Company***	***Period of directorship***
Osagie Imasogie	*FS KKR Capital Corp*	*June 2019 - Present*
Harry Karelis	*Mr Karelis does not hold any Directorships in other listed companies.*	
Oludare Odumosu	*Dr Odumosu does not hold any Directorships in other listed companies*	
Jason Peterson	*Mr Peterson does not hold any Directorships in other listed companies.*	
Lisa Gray	*Ms Gray does not hold any Directorships in other listed companies*	
Richard Hopkins	*Mr Hopkins does not hold any Directorships in other listed companies.*	

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the key management personnel of 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 key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Key Management Personnel
Directors

Osagie Imasogie
Harry Karelis
Dr Oludare Odumosu
Jason Peterson
Lisa Gray
Dr Richard Hopkins (resigned 15 May 2021)

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.

Remuneration committee
The Remuneration Committee is responsible for making recommendations to the Board for the remuneration of the Directors, the Managing Director and Key Management Personnel in line with the Remuneration Committee Charter.

Remuneration structure
In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

DIRECTORS' REPORT

Service Agreements

Executive Directors Remuneration

Executive Name	*Remuneration*

Dr Oludare Odumosu	• Executive salary of US$300,000 per annum; and
	• Bonus payable on achievement of revenue targets, to a maximum bonus of 30% of base salary
	• Options package (shareholder approval obtained on 21 July 2020):
	  • 5 million @ 10 cents per share (vesting immediately)
	  • 5 million @ 15 cents per share (vest and capable of exercise on 2 December 2020)
	  • 5 million @ 20 cents per share (vest and capable of exercise on 2 December 2020)
	  • 5 million @ 28 cents per share (vest and capable of exercise on 2 December 2021)
	  • 5 million @ 30 cents per share (vest and capable of exercise on 2 December 2021)
	Options expiry: 11 August 2023
	• Either the Company or Dr Odumosu may terminate the engagement at any time without cause or notice

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 ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be as determined from time to time by a general meeting. The latest determination was at the meeting held on 21 July 2020 when shareholders approved an aggregate remuneration of $750,000 per annum.

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 shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable. There was no use of remuneration consultants during the year.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved, with the Board retaining the right to use its discretion when performance relating to unanticipated deliverables is achieved. KPI's include revenue generation in specific markets, leadership contribution, product formulation and development.

DIRECTORS' REPORT

The long-term incentives ('LTI') include long service leave and share-based payments. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021 and the Board exercised its discretion in not awarding any shares to executives as part of long-term incentives.

Assessing performance

The remuneration committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee considers revenue, profit before tax, changes in share price and return of capital. The overall level of key management personnel's remuneration takes into account the expected performance of the Group over a number of years.

Details of the nature and amount of emoluments of key management personnel

2021 Financial Year

	PRIMARY		BONUS	POST EMPLOYMENT	EQUITY BASED RENUMERATION	REMUNERATION	PROPORTION OF REMUNERATION PERFORMANCE RELATED
Key Management Person	**Salary & Fees**	**Non Monetary**		**Superannuation Contribution**	**Total**	**Total**	**%**
	$	$	$	$	$	$	
Osagie Imasogie	144,000	-	-	-	65,913	209,913	31.40
Harry Karelis	120,000	-	-	-	145,527	265,527	54.80
Oludare Odumosu	318,484	-	53,248	-	187,885	559,618	42.00
Jason Peterson	36,000	-	-	-	145,906	181,906	80.20
Lisa Gray	36,000	-	-	-	65,913	101,913	64.67
Richard Hopkins	324,617	-	20,000	32,713	145,147	522,477	31.00
Totals	**979,101**	-	**73,248**	**32,713**	**756,291**	**1,841,354**	**41.07**

2020 Financial Year

	PRIMARY		BONUS	POST EMPLOYMENT	EQUITY BASED RENUMERATION	REMUNERATION	PROPORTION OF REMUNERATION PERFORMANCE RELATED
Key Management Person	**Salary & Fees**	**Non Monetary**		**Superannuation Contribution**	**Total**	**Total**	**%**
	$	$	$	$	$	$	
Osagie Imasogie	84,000	-	-	-	-	84,000	-
Harry Karelis	120,000	-	-	-	85,911	205,911	41.72
Richard Hopkins	300,000	-	-	28,500	85,911	414,411	20.73
Oludare Odumosu	114,322	-	-	-	123,830	238,152	51.99
Jason Peterson	36,000	-	-	-	85,911	121,911	70.47
Lisa Gray	21,000	-	-	-	-	21,000	-
Stewart Washer	12,000	-	-	-	-	12,000	-
Mara Gordon	12,000	-	-	-	-	12,000	-
Totals	**699,322**	-	**-**	**28,500**	**381,563**	**1,109,385**	**32.65**

DIRECTORS' REPORT

Performance Based Remuneration

Performance Rights

The table below includes details of performance rights issued in the current and prior year.

	Type	Granted	Grant date	Issue price	Value of rights 30 June 2021	Conversion milestones
		Number		$	$	
Richard Hopkins	Class A	6,250,000	2 Dec 2019	$0.068	131,340	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Richard Hopkins	Class B	6,250,000	2 Dec 2019	$0.068	13,807	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Harry Karelis	Class A	6,250,000	2 Dec 2019	$0.068	131,684	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Harry Karelis	Class B	6,250,000	2 Dec 2019	$0.068	13,843	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Jason Peterson	Class A	6,250,000	2 Dec 2019	$0.068	132,026	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Jason Peterson	Class B	6,250,000	2 Dec 2019	$0.068	13,879	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Osagie Imasogie	Class A	6,250,000	25 Sept 2020	$0.0001	59,635	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$1,000,000 prior to 23 December 2024
Osagie Imasogie	Class B	6,250,000	25 Sept 2020	$0.0001	6,277	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$2,500,000 prior to 23 December 2024
Lisa Gray	Class A	6,250,000	25 Sept 2020	$0.0001	59,635	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$1,000,000 prior to 23 December 2024
Lisa Gray	Class B	6,250,000	25 Sept 2020	$0.0001	6,277	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$2,500,000 prior to 23 December 2024

DIRECTORS' REPORT

Shares Issued to Key Management Personnel on Exercise of Options

No key management personnel exercised options during the years ended 30 June 2021 or 30 June 2020

Shareholdings of Key Management Personnel

Number of shares held by Directors and Executives during the year as follows:

2021 Financial Year

	Balance 01/07/2020	Options Exercised	Granted as remuneration	At Appointment/ (Resignation)	Net Change Other	Balance 30/06/2021
Osagie Imasogie	16,413,065	-	-	-	-	16,413,065
Harry Karelis	49,587,680	-	-	-	-	49,587,680
Oludare Odumosu	5,500,655	-	-	-	-	5,500,655
Jason Peterson	74,593,965	-	-	-	-	74,593,965
Lisa Gray	16,413,065	-	-	-	(8,206,500) [(1)]	8,206,565
Richard Hopkins	700,000	-	1,000,000	(1,700,000)	-	-

(1) During the year Ms Gray disposed of 8,206,500 fully paid ordinary shares in an off-market trade to a Family Trust which she does not hold a beneficial interest.

2020 Financial Year

	Balance 01/07/2019	Options Exercised	Issued as consideration for Ilera acquisition	At Appointment/ (Resignation)	Net Change Other	Balance 30/06/2020
Richard Hopkins	700,000	-	-	-	-	700,000
Harry Karelis	49,587,680	-	-	-	-	49,587,680
Stewart Washer	35,198,688	-	-	35,198,688	-	-
Mara Gordon	44,142,326	-	-	44,142,326	-	-
Jason Peterson	74,593,965	-	-	-	-	74,593,965
Osagie Imasogie	-	-	16,413,065	-	-	16,413,065
Lisa Gray	-	-	16,413,065	-	-	16,413,065
Oludare Odumosu	-	-	5,500,655	-	-	5,500,655

Option Holdings of Key Management Personnel

2021 Financial Year

	Balance 01/07/2020	Options Granted as Remuneration	Options Acquired	At Appointment/ (Resignation)	Balance 30/06/2021	Number vested and exercisable
Osagie Imasogie	-	-	-	-	-	-
Harry Karelis	6,000,000	-	-	-	6,000,000	6,000,000
Oludare Odumosu	25,000,000	-	-	-	25,000,000	15,000,000
Jason Peterson	8,000,000	-	-	-	8,000,000	8,000,000
Lisa Gray	-	-	-	-	-	-
Richard Hopkins	25,000,000	-	-	(25,000,000)	-	-

2020 Financial Year

	Balance 01/07/2019	Options Granted as Remuneration	Options Acquired	At Appointment/ (Resignation)	Balance 30/06/2020	Number vested and exercisable
Richard Hopkins	25,000,000	-	-	-	25,000,000	15,000,000
Harry Karelis	6,000,000	-	-	-	6,000,000	6,000,000
Stewart Washer	6,000,000	-	-	-	6,000,000	6,000,000
Mara Gordon	-	-	-	-	-	-
Jason Peterson	8,000,000	-	-	-	-	8,000,000
Oludare Odumosu	-	25,000,000[1]	-	-	25,000,000	5,000,000

1. The Company announced the terms of Dr Odumosu's engagement on 3 June 2020, therefore the options are deemed to be issued prior to 30 June 2020. The options were formally issued on 11 August 2020.

DIRECTORS' REPORT

Performance Rights Holdings of Key Management Personnel

2021 Financial Year

	Balance 01/07/2020	Performance Rights Granted	Acquired	At Appointment/ (Resignation)	Balance 30/06/2021	Number vested and exercisable
Osagie Imasogie	104,782,456	12,500,000[1]	-	-	-	117,282,456
Harry Karelis	12,500,000	-	-	-	-	12,500,000
Oludare Odumosu	35,116,656	-	-	-	-	35,116,656
Jason Peterson	12,500,000	-	-	-	-	12,500,000
Lisa Gray	104,782,456	12,500,000[1]	-	-	-	117,282,456
Richard Hopkins	12,500,000	-	-	(12,500,000)	-	-

(1) Approved for issue at the General Meeting on 17 September 2020

2020 Financial Year

	Balance 01/07/2019	Performance Rights Granted	Acquired	At Appointment/ (Resignation)	Balance 30/06/2020	Number vested and exercisable
Richard Hopkins	-	12,500,000[1]	-	-	12,500,000	-
Harry Karelis	-	12,500,000[1]	-	-	12,500,000	-
Jason Peterson	-	12,500,000[1]	-	-	12,500,000	-
Osagie Imasogie	-	104,782,456[2]	-	-	104,782,456	-
Oludare Odumosu	-	35,116,656[2]	-	-	35,116,656	-
Lisa Gray	-	104,782,456[2]	-	-	104,782,456	-

(1) Approved for issue at the Annual General Meeting on 28 November 2019

(2) Issued as considered for the acquisition of Ilera Therapeutics LLC

Other transactions and balances with Key Management Personnel

Gemelli Nominees Pty Ltd, a company of which Mr Harry Karelis is a Director, charged the Company director fees of $120,000 (2020: $120,000). No amount relating to consultancy services was recognised during the year and $nil was outstanding at year end.

CPS Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Company director fees of $36,000 (2020: $36,000) and provided corporate advisory services to the Company during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to corporate advisory services was $48,000 (30 June 2020: $48,000) and capital raising fees of $nil (30 June 2020: $ 277,677), $7,000 of which was outstanding at 30 June 2021 (30 June 2020: $7,000).

Health House Holdings Ltd (Health House) is a company of which Messrs Karelis and Peterson were directors. Messsr Karelis and Peterson ceased to be directors of Health House on 30 April 2020 and 19 March 2021 respectively, prior to Health House being admitted to the ASX. Health House provided storage services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to distribution services was $24,132 (30 June 2020: $30,315), $2,000 of which was outstanding at 30 June 2021 (30 June 2020: $nil).

Voting of shareholders at last year's annual general meeting

Zelira Therapeutics Limited received 92% of "yes" votes on its remuneration report for the 2020 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices

This concludes the Remuneration Report.

DIRECTORS' REPORT

ENVIRONMENTAL ISSUES

The Group is not subject to any significant environmental legislation.

INDEMNIFYING OFFICERS

The Company has an insurance policy in place insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

DIRECTORS' REPORT

SHARE OPTIONS

As at the date of this report, details of unissued ordinary shares under option are:

Number	Grant date	Expiry date	Exercise price $	Fair value at grant date	Vesting date
27,000,000	18 November 2016	17 November 2021	$0.03125	$0.0152	18 November 2016
2,096,667	15 January 2019	16 January 2022	$0.10	$0.0158	3 September 2019 subject to vesting conditions
1,065,000[1]	15 January 2019	16 January 2022	$0.10	$0.0158	3 September 2020 subject to vesting conditions
1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2019
1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2020 subject to vesting conditions
1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2021 subject to vesting conditions
5,000,000	19 February 2019	19 February 2022	$0.10	$0.0130	19 February 2019
5,000,000	19 February 2019	19 February 2022	$0.15	$0.0091	16 October 2019 subject to vesting conditions
5,000,000	19 February 2019	19 February 2022	$0.20	$0.0067	16 October 2019 subject to vesting conditions
5,000,000	19 February 2019	19 February 2022	$0.28	$0.0044	16 October 2020 subject to vesting conditions
5,000,000	19 February 2019	19 February 2022	$0.30	$0.0041	16 October 2020 subject to vesting conditions
2,000,000	27 September 2019	27 September 2022	$0.12	$0.0143	27 September 2019
5,000,000	11 August 2020	11 August 2023	$0.10	$0.0195	11 August 2020
5,000,000	11 August 2020	11 August 2023	$0.15	$0.0156	2 December 2020
5,000,000	11 August 2020	11 August 2023	$0.20	$0.0130	2 December 2020
5,000,000	11 August 2020	11 August 2023	$0.28	$0.0102	2 December 2021
5,000,000	11 August 2020	11 August 2023	$0.30	$0.0096	2 December 2021
4,000,000	11 September 2020	11 September 2023	$0.10	$0.0151	9 November 2020
4,000,000	11 September 2020	11 September 2023	$0.15	$0.0114	9 November 2021
4,000,000	11 September 2020	11 September 2023	$0.20	$0.0090	9 November 2021
4,000,000	11 September 2020	11 September 2023	$0.28	$0.0066	9 November 2022
4,000,000	11 September 2020	11 September 2023	$0.30	$0.0062	9 November 2022
4,000,000	20 January 2021	20 January 2024	$0.10	$0.0356	20 January 2021
4,000,000	20 January 2021	20 January 2024	$0.15	$0.0291	3 March 2021
4,000,000	20 January 2021	20 January 2024	$0.20	$0.0246	3 March 2021
4,000,000	20 January 2021	20 January 2024	$0.28	$0.0195	3 March 2022
4,000,000	20 January 2021	20 January 2024	$0.30	$0.0186	3 March 2022

1. On 20 November 2020, 1,935,000 unlisted options were cancelled under an Employee Share Option (ESOP) as vesting conditions were not met

On 22 August 2021, 3,000,000 options with an exercise price of $0.125 expired.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

DIRECTORS' REPORT

The following share options were exercised during the year and up to the date of this report:

Number exercised	Date exercised	Share-price at exercise date
6,000,000	16 October 2020	$0.094
5,000,000	23 February 2021	$0.077

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Zelira Therapeutics Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included on page xx of the Annual Report.

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.

On behalf of the Board

Dr Oludare Odumosu
Global Managing Director **Perth, 30 August 2021**

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Zelira Therapeutics 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 August 2021

B G McVeigh
Partner

hlb.com.au

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 $	2020 $
Continuing operations			
Revenue	3	663,316	-
Cost of sales		(228,222)	-
Gross profit		435,094	-
Finance income		723	8,601
Other income	4	1,428,338	1,031,776
Compliance and regulatory expenses		(380,500)	(195,803)
Consultants and professional fees		(2,091,794)	(1,513,319)
Administration expenses		(338,784)	(133,855)
Director and employee expenses		(2,848,092)	(1,300,896)
Travel and accommodation expense		(59,022)	(188,959)
Share based payments		(1,303,622)	(538,977)
Research and development		(2,081,085)	(3,691,658)
Commercialisation expenses		(510,065)	-
Depreciation and amortisation expense		(474,255)	(275,051)
Finance costs		(42,627)	(12,344)
Other expenses		(108,304)	(98,275)
Changes in fair value of financial assets at fair value through profit or loss	12	(175,084)	(106,285)
(Loss) from continuing operations before income tax expense		(8,549,079)	(7,015,045)
Income tax expense	5	-	-
(Loss) for the year		(8,549,079)	(7,015,045)
Other Comprehensive Income			
Items that may be reclassified to the profit and loss			
Foreign currency translation		(50,165)	(112,528)
Total Comprehensive (Loss) for the Year		(8,599,244)	(7,127,573)
(Loss) per share:			
Basic and diluted (loss) per share (cents per share)	19	(0.73)	(0.83)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	NOTE	2021 $	2020 $
CURRENT ASSETS			
Cash and cash equivalents	7	4,971,116	1,697,040
Trade and other receivables	8	251,611	135,709
Inventories	9	867,587	-
TOTAL CURRENT ASSETS		6,090,314	1,832,749
NON-CURRENT ASSETS			
Financial assets held at fair value	12	67,047	242,131
Right-of-use assets	10	478,996	595,180
Other financial assets		99,852	108,215
Property, plant and equipment		759,887	984,756
Intangible assets	11	31,869,603	32,025,603
TOTAL NON-CURRENT ASSETS		33,275,385	33,955,885
TOTAL ASSETS		**39,365,699**	**35,788,634**
CURRENT LIABILITIES			
Trade and other payables	13	984,979	559,386
Lease liabilities	14	90,534	60,862
Other liabilities		-	50,000
TOTAL CURRENT LIABILITIES		1,075,513	670,248
NON-CURRENT LIABILITIES			
Lease liabilities	14	460,547	571,461
TOTAL NON-CURRENT LIABILITIES		460,547	571,461
TOTAL LIABILITIES		1,536,060	1,241,709
NET ASSETS		**37,829,639**	**34,546,925**
EQUITY			
Issued capital	15	36,651,436	26,075,600
Reserves		28,427,158	27,171,201
Accumulated losses		(27,248,955)	(18,699,876)
TOTAL EQUITY		**37,829,639**	**34,546,925**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Performance Rights Reserve	Share Based Payments Reserve	Total
	$	$	$	$	$	$
Balance as at 1 July 2019	**13,823,411**	**(11,680,270)**	**-**	**-**	**964,822**	**3,107,963**
Adjustment on initial application of new accounting standards	-	(4,561)	-	-	-	(4,561)
Loss for the year	-	(7,015,045)	-	-	-	(7,015,045))
Other comprehensive	-	-	(112,528)	-	-	(112,528)
Total comprehensive loss for the year	-	(7,015,045)	(112,528)	-	-	(7,127,573)
Shares issued during the year	4,694,759	-	-	-	-	4,694,759
Transaction costs relating to issue of shares	(286,674)	-	-	-	-	(286,674)
Acquisition of Ilera	7,690,603	-	-	25,776,181	-	33,466,784
Issue of performance rights	-	-	-	257,734	-	257,734
Proceeds from issue of	-	-	-	3,749	-	3,749
Share-based payments	-	-	-	-	281,243	281,243
Shares options exercised	142,500	-	-	-	-	142,500
Foreign exchange conversion	11,001	-	-	-	-	11,001
Balance at 30 June 2020	**26,075,600**	**(18,699,876)**	**(112,528)**	**26,037,664**	**1,246,065**	**34,546,925**
Balance as 1 July 2020	**26,075,600**	**(18,699,876)**	**(112,528)**	**26,037,664**	**1,246,065**	**34,546,925**
Loss for the year	-	(8,549,079)	-	-	-	(8,549,079)
Other comprehensive loss	-	-	(50,165)	-	-	(50,165)
Total comprehensive loss for the year	-	(8,549,079)	(50,165)	-	-	(8,599,244)
Shares issued during the year	10,799,376	-	-	-	-	10,799,376
Transaction costs relating to issue of shares	(567,290)	-	-	-	-	(567,290)
Issue of performance rights to Directors	-	-	-	568,406	-	568,406
Proceeds from issue of performance rights	-	-	-	2,500	-	2,500
Share-based payments	-	-	-	-	735,216	735,216
Share options exercised	343,750	-	-	-	-	343,750
Balance at 30 June 2021	**36,651,436**	**(27,248,955)**	**(162,693)**	**26,608,570**	**1,981,281**	**37,829,639**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 $	2020 $
Cash Flows from Operating Activities			
Receipts from customers		621,215	234,000
Payments to suppliers and employees		(7,611,542)	(3,424,722)
Payments for research and development		(1,626,980)	(3,759,342)
Interest received		723	13,788
Net cash used in operating activities	21(c)	(8,616,584)	(6,936,276)
Cash Flows from Investing Activities			
Cash acquired as part of acquisition	19	-	189,781
Government grants and tax incentives		1,378,349	1,031,776
Payments for acquisition of property, plant and equipment		-	(15,967)
Payments for rental bond		-	(99,035)
Net cash from investing activities		1,378,349	1,106,555
Cash Flows from Financing Activities			
Proceeds from issue of shares		10,273,066	4,592,759
Issue costs associated with issue of shares		(88,000)	(286,702)
Proceeds from conversion of options		343,750	142,500
Proceeds from unissued shares and performance rights		2,500	53,750
Net cash from financing activities		10,531,316	4,502,307
Net increase/(decrease) in cash and cash equivalents		3,293,071	(1,327,414)
Effect of exchange rate fluctuations on cash held		(18,995)	(48,671)
Cash and cash equivalents at beginning of financial year		1,697,040	3,073,125
Cash and cash equivalents at end of financial year	21(a)	4,971,116	1,697,040

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

(a) Statement of significant accounting policies

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the consolidated entity of Zelira Therapeutics Limited (“the legal Parent”) and its subsidiaries (“the Group” or “Consolidated Entity”). Zelira Therapeutics Limited (ZLD) is a listed public company, incorporated and domiciled in Australia.

Reporting basis and conventions

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This financial report was authorised for issue by the Board on 30 August 2021.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied where relevant.

(b) Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to use 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 of 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
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries
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 and 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 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2021, the directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2020. As a result of this review, the Directors have determined that there is no material impact of any new and revised Standards and Interpretations issued by the AASB.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(d) Going concern

The Company incurred a loss of $8,599,244 for the year ended 30 June 2021 and a net cash outflow from operating activities amounting to $8,616,584. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on Zelira successfully commercialising its medicinal cannabinoid formulas targeting large addressable markets such as pain, sleep and anxiety, commercialising its scientifically formulated, hemp-derived cannabinoid-based oral-care products or securing additional funding through capital raising activities to continue its operational and marketing activities. Should these be unsuccessful, there may be an material uncertainty relating to the Group's ability to continue as a going concern.

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

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:
- whether the Group is able to generate sufficient revenue from Zenivol™;
- whether the Group is able to generate sufficient revenue from HOPE 1™ and HOPE 2™;
- whether the Group is able to generate sufficient revenue from its Oral Care range of products;
- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Foreign Exchange

Foreign currency transactions
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The Directors have determined that the functional currency of the Group is Australian Dollars.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(g) Income Tax

The charge for current income tax expenses is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

(h) 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.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(j) Property, Plant and Equipment

Plant and equipment is stated at historical cost or fair value less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(k) Leases

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 pf 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

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.

(l) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Favourable leases
Favourable leases acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(m) Impairment of non-financial Assets

At each reporting date, the Company reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(n) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 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 objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company 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 Company.

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 comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(p) Financial assets

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 into the following categories:
- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

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.

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.

Subsequent measurement of financial assets
Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.
Assets in this category are measured at fair value with gains or losses recognised in profit or loss.
The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) Segment Reporting

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

(s) Revenue Recognition

The Group enters into contracts for the sale of medicinal cannabis products. Revenue is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards or ownership have been transferred to the customer and collection of the sales price is reasonably assured. The performance obligation is identified to be the delivery of supplies to the customer, and the transaction price is allocated to the number of units delivered. These criteria for performance obligation are assessed to have occurred once the product has been delivered to the customer.

Revenue from licence fees is recognised when the right to receive payment is established in line with the contractual terms.

(t) Other income

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.

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. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(u) Fair Value Estimates

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

The fair value of financial instruments that are not traded in an active market (for example, over the unlisted options) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(v) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(w) Earnings per share

Basic earnings (loss) per share
Basic earnings per share ("EPS") is calculated as net profit or loss, attributable to members, adjusted to exclude any costs of servicing equity.

Diluted earnings (loss) per share
Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather that the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations, not net profit or loss and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(x) Share-based payment transactions

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

When provided, 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 determined using the Black-Scholes model or the binomial option pricing model.

In valuing equity-settled transactions, the Company takes into account any performance conditions, other than conditions linked to the price of the shares of Zelira Therapeutics 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 reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

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.

(y) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. 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.

(z) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates:

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share based payments
Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

Performance Rights
The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees became fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the estimated number of awards that will ultimately vest. This estimate is formed based on the best available information at balance date.

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.

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

Deferred tax assets
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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.

Goodwill
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 22 for further information.

2. OPERATING SEGMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (CONT.)

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

The information reported to the CODM is on a monthly basis.

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

Operating segment information

2021

Segment Revenue	Australia	USA	Total
	$	$	$
Revenue	88,460	574,856	663,316
Other revenue	1,428,338	-	1,428,338
Interest revenue	723	-	723
Total revenue	1,517,521	574,856	2,092,377

Segment Result	Australia	USA	Total
	$	$	$
EBITDA	(7,310,872)	(722,048)	(8,032,920)
Depreciation and amortisation	(385,571)	(88,684)	(474,255)
Interest income	723	-	723
Finance costs	(1,901)	(40,726)	(42,627)
Loss before income tax expense	(7,697,619)	(851,458)	(8,549,079)
Income tax expense	-	-	-
Loss after income tax expense	(7,697,619)	(851,458)	(8,549,079)

Segment assets and liabilities	Australia	USA	Total
	$	$	$
Total assets	34,212,146	5,153,553	39,365,699
Total liabilities	5,102,539	(6,638,599)	(1,536,060)
Net assets (liabilities)	39,314,685	(1,485,046)	37,829,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (CONT.)

2020

Segment Revenue	Australia	USA	Total
	$	$	$
Other revenue	1,020,828	-	1,020,828
Interest revenue	8,601	-	8,601
Total revenue	1,029,429	-	1,029,429

Segment Result	Australia	USA	Total
	$	$	$
EBITDA	(5,530,151)	(1,210,217)	(6,740,368)
Depreciation and amortisation	(28,126)	(246,925)	(275,051)
Interest revenue	8,601	-	8,601
Finance costs	2,451	(10,678)	(8,227)
Loss before income tax expense	(5,547,225)	(1,467,820)	(7,015,045)
Income tax expense	-	-	-
Loss after income tax expense	(5,547,225)	(1,467,820)	(7,015,045)

Segment assets and liabilities	Australia	USA	Total
	$	$	$
Total assets	34,848,318	940,315	35,788,634
Total liabilities	1,267,926	(2,509,633)	(1,241,709)
Net assets (liabilities)	36,116,244	(1,569,318)	34,546,925

Other information			
Additions to non-current assets excluding financial instruments and deferred tax	32,791,508	781,009	33,572,517
	32,791,508	781,009	33,572,517

3. REVENUE

	2021	2020
	$	$
Sales of goods	432,568	-
Project Management fee	67,500	-
License fee	163,248	8,601
	663,316	8,601

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

Sale of Zenivol™ and Hope™ – Australia	20,960	-
Sale of Oralcare products – US	328,614	-
Other sales – US	82,994	-
	432,568	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	2021 $	2020 $
Research and development incentive[1]	1,378,349	981,776
ATO Cash Boost	49,989	50,000
	1,428,338	1,031,776

1. Research and development incentive relates to the Group's research and development (R&D) activities being registered by Innovation and Science Australia for the R&D Tax Incentive. The R&D refund was received by the Company in December 2020.

5. INCOME TAX EXPENSE

(a) The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:

	2021 $	2020 $
Loss before tax from continuing operations	(8,549,079)	(7,015,045)
Income tax (benefit)/expense calculated at 30% (2020: 27.5%)	(2,564,723)	(1,929,137)
Unused tax losses and tax offset not recognised as deferred tax assets		
Share based payments	391,086	148,219
Other non-deductible expenses	1,764,654	(208,410)
Non assessable income	(428,501)	-
Deferred tax assets not recognized	837,484	1,989,328
Income tax (benefit)/expense reported in the statement of comprehensive income	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Unrecognised deferred tax balances
The following deferred tax assets and (liabilities) have not been brought to account:

Deferred tax assets comprise:		
Temporary differences	4,574,843	4,364,845
Deferred tax liabilities comprise:		
Temporary differences	(426,952)	(183,356)
Net deferred tax assets	4,147,891	4,181,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE (CONT.)

A deferred tax asset has not been recognised in the financial statements because it is not demonstrably probable that sufficient future taxable income will be available against which the Group can utilise the benefits thereof.

The future benefits of these tax assets will only be obtained if:

- The Group derives future assessable income of a nature and at an amount sufficient to enable the benefit from the assets to be realised;
- The Group continues to comply with the conditions for deductibility imposed by relevant tax legislation; and
- No changes in tax legislation adversely affect the Group in realising the benefit from the assets.

(c) Income tax expense not recognised directly in equity during the year

Share issue costs	-	-

6. KEY MANAGEMENT PERSONNEL

The Key Management Personnel of Zelira Therapeutics Limited during the year were:

Osagie Imasogie
Harry Karelis
Dr Oludare Odumosu
Jason Peterson
Lisa Gray
Dr Richard Hopkins (resigned 15 May 2021)

Key management personnel compensation

	2021 $	2020 $
Short-term employment benefits	1,052,350	699,322
Post-employment benefits	32,713	28,500
Share based payments	756,291	381,563
	1,841,354	1,109,385

Gemelli Nominees Pty Ltd, a company of which Mr Harry Karelis is a Director, charged the Company director fees of $120,000 (2020: $120,000). No amount relating to consultancy services was recognised during the year and $nil was outstanding at year end.

CPS Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Company director fees of $36,000 (2020: $36,000) and provided corporate advisory services to the Company during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to corporate advisory services was $48,000 (30 June 2020: $48,000) and capital raising fees of $nil (30 June 2020: $ 277,677), $7,000 of which was outstanding at 30 June 2021 (30 June 2020: $7,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. KEY MANAGEMENT PERSONNEL (CONT.)

Health House Holdings Ltd (Health House) is a company of which Messrs Karelis and Peterson were directors. Messsr Karelis and Peterson ceased to be directors of Health House on 30 April 2020 and 19 March 2021 respectively, prior to Health House being admitted to the ASX. Health House provided storage services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to distribution services was $24,132 (30 June 2020: $30,315), $2,000 of which was outstanding at 30 June 2021 (30 June 2020: $nil).

7. CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank	4,971,116	1,697,040

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

8. TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Trade receivables	42,101	-
GST receivable	10,206	63,039
Prepayments	194,177	71,570
Other current assets	5,127	1,100
	251,611	135,709

Expected credit losses

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 arrangement amongst other is considered indicators of no reasonable expectation of recovery. On the above basis the expected credit loss for trade receivables as at 30 June 2021 is nil.

9. INVENTORIES

	2021 $	2020 $
Raw materials	220,398	-
Work in progress	51,750	-
Finished goods	595,439	-
	867,587	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. RIGHT-OF-USE ASSETS

	2021	2020
	$	$
Property Leases		
Carrying value		
Cost	630,466	639,221
Accumulated depreciation	(151,470)	(44,041)
Carrying value at 30 June	478,996	595,180
Opening balance	595,180	-
Recognised on 1 July 2019 on adoption of AASB 16	-	31,226
Additions	47,341	665,226
Depreciation expense	(110,051)	(43,986)
Foreign exchange conversion	(53,474)	(57,286)
Carrying value at 30 June	478,996	595,180

11. INTANGIBLES

	Trademarks	Favourable leases	Goodwill	Total
	$	$	$	$
Opening balance at 1 July 2019	-	-	-	-
Acquisition of Ilera Therapeutics LLC	1,177,360	191,321	30,747,083	32,115,764
Amortisation	(68,046)	(22,115)	-	(90,1616)
Closing balance at 30 June 2020	1,109,314	169,206	30,747,083	32,025,603
Amortisation	(117,736)	(38,264)	-	(156,000)
Closing balance at 30 June 2021	991,578	130,942	30,747,083	31,869,603

Impairment tests for goodwill

Goodwill acquired through the acquisition of Ilera Therapeutics (refer to Note 19) has been allocated to a single cash generating unit (CGU) – the USA – for impairment testing.

The Directors assessed the carrying value of goodwill at balance date and are of the opinion that the intangible assets associated with the US business continue to have value. The recoverable amount of the goodwill has been determined by a value-in-use calculation using the discounted cash flow method, based on a five-year projection period, extended for a further five years to capture the high rate of growth expected beyond the five-year period.

Key assumptions are those to which the recoverable amount of a CGU is most sensitive. The following key assumptions were used in the discounted cash flow model for the US CGU:

- 33% pre-tax discount rate
- 5% increase in year 5 projected revenue growth rate
- No significant changes in working capital

Based on the above, the Directors believe the recoverable amount of the goodwill associated with the US CGU exceeds the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL ASSET HELD AT FAIR VALUE

	2021 $	2020 $
At fair value through profit or loss		
Opening balance – unlisted options	242,131	348,416
Changes in fair value	(175,084)	(106,285)
Closing balance	67,047	242,131

On 27 March 2017, Zelira entered into a strategic partnership with CannPal Pty Ltd (CannPal) (Agreement), whereby CannPal issued Zelira 7,250,000 unlisted options in CannPal (or such other amount equivalent to 10% of the fully diluted issued capital at 27 March 2017) exercisable at the lower of $0.20 or the next round capital raising price including but not limited to the per share price of any acquisition, reverse takeover transaction or similar event, exercisable within five years from the date of issue.

On 18 March 2021, CannPal and AusCann Group Holdings Ltd (AusCann) announced a Scheme of Arrangement (Scheme) whereby CannPal shareholders would receive 1.3 shares for every one share held in Cannpal. Following execution of the Scheme, Zelira received 9,425,000 new AusCann options with an exercise price of $0.1538 per option and an expiry date of 24 March 2022. All other terms remained the same as the previously issued CannPal options. At balance date, the AusCann options have been valued under the Black-Scholes methodology using a volatility rate of 0.7422% and a spot price of $0.145.

13. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables and accruals	984,979	559,386
	984,979	559,386

Terms and conditions relating to the above financial instruments:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

14. LEASE LIABILITIES

	2021 $	2020 $
Carrying value		
Current liabilities	90,534	60,862
Non-current liabilities	460,547	571,461
	551,081	632,323
Reconciliation		
Opening balance	632,323	-
Recognised on 1 July 2019 on adoption of AASB 16	-	35,786
Additions	47,341	665,226
Interest	38,811	12,344
Principal repayments	(110,481)	(23,827)
Foreign exchange conversion	(56,913)	(57,206)
Closing balance at 30 June	551,081	632,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. LEASE LIABILITIES (CONT.)

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

	Lease payments due			
	< 1 year	1 – 2 years	2 – 5 years	Total
	$	$	$	$
Lease payments	125,600	136,104	386,805	648,509
Interest	(35,066)	(27,890)	(34,472)	(97,428)
Net present value	90,534	108,214	352,333	551,081

The Group applies the practical expedient in AABS 16 Appendix C, C10 which allows the Group to account for the registered office lease in the same way as short-term leases. The Group recognised $2,000 of leasing expenses in the current period in relation to the registered office lease.

	2021 **$**	**2020** **$**
15. ISSUED CAPITAL	36,651,436	26,075,600

	Year to 30 June 2021 No.	**Year to 30 June 2020 No.**	**Year to 30 June 2021 $**	**Year to 30 June 2020 $**
Movements in ordinary shares on issue				
At start of period	966,298,406	755,341,934	26,075,600	13,823,411
Acquisition of Ilera Therapeutics	-	113,601,290	-	7,690,603
Shares issued from exercise of options	11,000,000	4,000,000	343,750	142,500
Shares issued to consultant	-	1,500,000	-	102,000
Shares issued to sophisticated investors	213,024,560	91,855,182	10,799,376	4,592,759
Share issue expenses		-	(567,290)	(286,674)
Foreign exchange conversion	-	-		11,001
At end of period	1,190,322,966	966,298,406	36,651,436	26,075,600

At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called. In accordance with the ASX Listing Rules, all voting on resolutions at shareholders' meetings are conducted by a poll.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. 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 17 for further details of these plans.

Foreign currency reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency reserve as described in Note 1. The reserve is recognised in profit or loss when the net investment is disposed of.

Performance rights reserve

This reserve is used to record the value of performance rights provided to Directors as part of their remuneration. Refer to note 17 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS

(a) Summary of share-based payments - Unlisted Options (as at Balance date)

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

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date	Vesting date
1	27,000,000	18 November 2016	17 November 2021	$0.03125	$0.0152	18 November 2016
2	1,000,000	22 August 2018	22 August 2021	$0.125	$0.0192	22 August 2018
3	2,000,000	22 August 2018	22 August 2021	$0.125	$0.0192	22 August 2020
4	2,096,667	15 January 2019	16 January 2022	$0.10	$0.0158	3 September 2019 subject to vesting conditions
5	1,065,000[1]	15 January 2019	16 January 2022	$0.10	$0.0158	3 September 2020 subject to vesting conditions
6	1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2019
7	1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2020 subject to vesting conditions
8	1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2021 subject to vesting conditions
9	5,000,000	19 February 2019	19 February 2022	$0.10	$0.0130	19 February 2019
10	5,000,000	19 February 2019	19 February 2022	$0.15	$0.0091	16 October 2019 subject to vesting conditions
11	5,000,000	19 February 2019	19 February 2022	$0.20	$0.0067	16 October 2019 subject to vesting conditions
12	5,000,000	19 February 2019	19 February 2022	$0.28	$0.0044	16 October 2020 subject to vesting conditions
13	5,000,000	19 February 2019	19 February 2022	$0.30	$0.0041	16 October 2020 subject to vesting conditions
14	2,000,000	27 September 2019	27 September 2022	$0.12	$0.0143	27 September 2019
15	5,000,000	11 August 2020	11 August 2023	$0.10	$0.0195	11 August 2020
16	5,000,000	11 August 2020	11 August 2023	$0.15	$0.0156	2 December 2020
17	5,000,000	11 August 2020	11 August 2023	$0.20	$0.0130	2 December 2020
18	5,000,000	11 August 2020	11 August 2023	$0.28	$0.0102	2 December 2021
19	5,000,000	11 August 2020	11 August 2023	$0.30	$0.0096	2 December 2021
20	4,000,000	11 September 2020	11 September 2023	$0.10	$0.0151	9 November 2020
21	4,000,000	11 September 2020	11 September 2023	$0.15	$0.0114	9 November 2021
22	4,000,000	11 September 2020	11 September 2023	$0.20	$0.0090	9 November 2021
23	4,000,000	11 September 2020	11 September 2023	$0.28	$0.0066	9 November 2022
24	4,000,000	11 September 2020	11 September 2023	$0.30	$0.0062	9 November 2022
25	4,000,000	20 January 2021	20 January 2024	$0.10	$0.0356	20 January 2021
26	4,000,000	20 January 2021	20 January 2024	$0.15	$0.0291	3 March 2021
27	4,000,000	20 January 2021	20 January 2024	$0.20	$0.0246	3 March 2021
28	4,000,000	20 January 2021	20 January 2024	$0.28	$0.0195	3 March 2022
29	4,000,000	20 January 2021	20 January 2024	$0.30	$0.0186	3 March 2022

1. On 20 November 2020, 1,935,000 unlisted options were cancelled under an Employee Share Option (ESOP) as vesting conditions were not met

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS (CONT.)

On 22 August 2021, 3,000,000 options with an exercise price of $0.125 expired. No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate. The following share options were exercised during the year:

Number exercised	Date exercised	Share-price at exercise date
6,000,000	16 October 2020	$0.094
5,000,000	23 February 2021	$0.077

The weighted average exercise price during the financial year was $0.16 (2020: $0.13). The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.66 years (2020: 1.89 years).

Performance Rights

	Type	Granted	Grant date	Issue price	Value of rights 30 June 2021	Conversion milestones
		Number		$	$	
Richard Hopkins	Class A	6,250,000	2 Dec 2019	$0.068	131,340	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Richard Hopkins	Class B	6,250,000	2 Dec 2019	$0.068	13,807	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Harry Karelis	Class A	6,250,000	2 Dec 2019	$0.068	131,684	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Harry Karelis	Class B	6,250,000	2 Dec 2019	$0.068	13,843	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Jason Peterson	Class A	6,250,000	2 Dec 2019	$0.068	132,026	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Jason Peterson	Class B	6,250,000	2 Dec 2019	$0.068	13,879	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Osagie Imasogie	Class A	6,250,000	25 Sept 2020	$0.0001	59,635	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$1,000,000 prior to 23 December 2024
Osagie Imasogie	Class B	6,250,000	25 Sept 2020	$0.0001	6,277	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$2,500,000 prior to 23 December 2024
Lisa Gray	Class A	6,250,000	25 Sept 2020	$0.0001	59,635	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$1,000,000 prior to 23 December 2024
Lisa Gray	Class B	6,250,000	25 Sept 2020	$0.0001	6,277	Converted into shares subject to the cumulative revenues from 1 July 2020 from US based products exceeding US$2,500,000 prior to 23 December 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS (CONT.)

(b) Valuation assumptions

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

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Expected volatility (%)	137	81	81	76	76	76	76	76	69	69	69	69	69	71	86	86	86	86	86	80	80	80	80	80	83	83	83	83	83
Risk-free interest rate (%)	2.18	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.96	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.1	0.1	0.1	0.1	0.1
Expected life of option (years)	5	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Exercise price (cents)	3.125	12.5	12.5	10	10	10	10	10	10	15	20	28	30	12	10	15	20	28	30	10	15	20	28	30	10	15	20	28	30
Grant date share price (cents)	2.5	7.1	7.1	6.1	6.1	6.6	6.6	6.6	5.9	5.9	5.9	5.9	5.9	7.5	6.2	6.2	6.2	6.2	6.2	5.7	5.7	5.7	5.7	5.7	9.7	9.7	9.7	9.7	9.7

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

17. FINANCIAL INSTRUMENTS

Fair value measurement

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

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

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

The only financial assets or financial liabilities measured at fair value on a recurring basis are unlisted options (Level 2).

18. FINANCIAL INSTRUMENTS (CONT.)

There were no transfers between levels in 2021 and 2020.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. Valuation processes and fair value changes are discussed among the Board in line with the Group's reporting dates.

The valuation technique used for instruments categorised in Level 2 is described below:

Unlisted options
The Group's unlisted options are fair valued using a Black and Scholes model partly using observable variables such as interest rates.

(a) Financial risk management objectives

The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives was governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives – however the Group does not currently use derivatives. Compliance with policies and exposure limits is reviewed by the directors on a continuous basis.

The carrying amounts of financial assets and financial liabilities approximate their fair value.

2021	Interest rates	Variable interest rate $	Maturity dates Less than 1 year $	Maturity dates 1-2 years $	Non-interest bearing $	Total $
Financial assets:						
Cash and cash equivalents	0.0%	4,971,116	-	-	-	4,971,116
Trade receivables	-	-	-	-	42,101	42,101
Financial assets held at fair value	-	-	-	-	67,047	67,047
Financial liabilities:						
Trade payables	-	-	-	-	984,979	984,979
Lease liabilities	7.0%	-	90,534	460,547	-	551,081

2020	Interest rates	Variable interest rate $	Maturity dates Less than 1 year $	Maturity dates 1-2 years $	Non-interest bearing $	Total $
Financial assets:						
Cash and cash equivalents	0.02%	1,697,040	108,215	-	-	1,805,255
Trade receivables	-	-	-	-	1,100	1,100
Financial assets held at fair value	-	-	-	-	242,131	242,131
Financial liabilities:						
Trade payables	-	-	-	-	459,891	459,891
Lease liabilities	7.0%	-	60,862	571,463	-	632,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (CONT.)

(b) Interest rate risk sensitivity analysis

The Group's exposure to interest rate risk is not significant based on the instruments subject to variable interest rates.

(c) Credit risk management

Credit risk refers to the risk that a counterparty 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 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.

(d) Liquidity risk management

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.

Management monitor the rolling forecasts of the Group's liquidity on the basis of expected cash flow.

The following table details the expected maturity of the Group's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (CONT.)

	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $
2021				
Financial Assets:				
Non-interest bearing	42,101			
Variable interest rate	4,971,116			
Fixed interest rate	-	-	-	-
	5,013,217	-	-	-
Financial Liabilities:				
Non-interest bearing	984,979	-	-	-
	984,979	-	-	-
2020				
Financial Assets:				
Non-interest bearing	1,100	-	-	-
Variable interest rate	1,697,040	-	-	-
Fixed interest rate	-	-	108,215	-
	1,698,140	-	108,215	-
Financial Liabilities:				
Non-interest bearing	459,891	-	-	-
	459,891	-	-	-

(e) Capital Risk Management

The Board does not deem necessary a formal Capital Risk Management Charter. The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders.

19. ACQUISITION OF SUBSIDIARY

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

Consideration transferred
The consideration paid to Ilera Therapeutics shareholders for the acquisition of their respective shares is:
(a) 113,601,290 fully paid ordinary shares in the Company;
(b) 362,620,322 Class A Performance Rights; and
(c) 362,620,322 Class B Performance Rights,
to be issued pro rata between the Ilera Therapeutics shareholders

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ACQUISITION OF SUBSIDIARY (CONT.)

Conversion of the Class A Performance Rights

(a) (Milestone) A Performance Right will be able to be converted into a Share by a Holder subject to satisfaction of the following milestone:

(i) the cumulative revenues from the date of issue of the Performance Rights received by the Company or its subsidiaries from US-based product sales exceeds US$1,000,000.

(ii) If the Milestone is not achieved by the third anniversary of the Settlement or the Conversion Notice not given to Purchaser by the required date, then the relevant Performance Right will automatically lapse.

Conversion of the Class B Performance Rights

(b) (Milestone) A Performance Right will be able to be converted into a Share by a Holder subject to satisfaction of the following milestone:

(i) the cumulative revenues from the date of issue of the Performance Rights received by the Company or its subsidiaries from US-based product sales exceeds US$2,500,000

(ii) If the Milestone is not achieved by the third anniversary of the Settlement or the Conversion Notice not given to Purchaser by the required date, then the relevant Performance Right will automatically lapse.

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

	Issued	Share price at 2 December 2019	Likelihood	Total
At start of period	113,601,290	$0.068	N/A	7,690,603
Acquisition of Ilera Therapeutics	362,620,322	$0.068	95%	23,321,306
Shares issued from exercise of options	362,620,322	$0.068	10%	2,454,874
At end of period	838,841,934			33,466,783

Assets acquired and liabilities assumed at the date of acquisition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ACQUISITION OF SUBSIDIARY (CONT.)

Business combination accounting is as follows:

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

Goodwill on acquisition

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

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

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

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

Net cash outflow arising on acquisition

	$
Cash paid	-
Less: net cash acquired with the subsidiary	189,781
Net cash inflow	189,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. EARNINGS / (LOSS) PER SHARE	2021 $	2020 $
(a) (Loss) used in the calculation of basic and dilutive loss per share	(8,549,079)	(7,015,045)
Basic loss per Share	***Number of Shares***	***Number of Shares***
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share:	1,160,779,841	848,364,170
Basic (loss) per share (cents per share)	(0.73)	(0.83)
Diluted loss per Share	***Number of Shares***	***Number of Shares***
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share:	1,160,779,841	848,458,107
Diluted (loss) per share (cents per share)	(0.73)	(0.83)

The number of ordinary shares used in the calculation of Diluted Loss per Share is the same as the number used in the calculation of Basic Loss per Share in the year ended 30 June 2021 and the prior year ended 30 June 2020, as options and performance rights are not considered dilutive as a loss was incurred in both years.

21. CASH FLOW INFORMATION

(a) Non-cash investing and financing activities

During the year there were additions to Right of Use Assets of $47,341. In addition, 20,000,000 unquoted options were issued under the US Employee Share Option Plan in both September 2020 and January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. CASH FLOW INFORMATION (CONT.)

(b) Reconciliation of net cash flow used in operating activities with profit / (loss) after income tax	2021 $	2020 $
(Loss) for year	(8,549,079)	(7,015,045)
Cash flows in operating (loss)/profit classified as investing activities		
- Revaluation of financial assets held at fair value	175,084	106,285
Non-cash flows in operating (loss)/profit		
- Government grants and tax incentive	(1,378,349)	(1,031,776)
- Share based payments	1,303,621	538,977
- Foreign exchange (loss)/gain	(2,978)	102,000
- Finance charges	42,627	12,344
- Depreciation and amortisation	474,255	275,051
Cash flows not in operating (loss)/profit		
- Licensing fee income	-	234,000
- Rent expense	(123,870)	(23,747)
Changes in assets and liabilities:		
- (Increase)/Decrease in trade and other receivables	(115,902)	(84,254)
- (Increase)/Decrease in inventories	(867,587)	-
- Increase/(Decrease) in trade payables and other accruals	425,594	(50,111)
Net cash used in operating activities	(8,616,584)	(6,936,276)

22. AUDITORS' REMUNERATION

	2021 $	2020 $
The auditors of the Company are HLB Mann Judd		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	49,484	47,313
	49,484	47,313
The auditors of the subsidiaries in the USA are Marcum LLP		
Remuneration of the auditor for:		
- Auditing or reviewing the USA subsidiaries	111,436	-
	111,436	-

23. COMMITMENTS

	2021 $	2020 $
Research and development		
not later than 1 year	2,131,269	493,750
later than 1 year but no later than 5 years	-	-
Remuneration and consulting		
not later than 1 year	4,235,063	3,518,807

Remuneration represents key management personnel and senior management for a period of 12 months.
Consulting represents consulting commitments for their stated notice period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts. The information presented has been prepared using accounting policies as disclosed in Note 1.

	2021 $	2020 $
Financial Position		
Current assets	3,465,445	804,162
Total assets	37,049,306	34,724,723
Current liabilities	(171,505)	(127,798)
Total liabilities	(185,793)	(177,798)
Shareholder's equity		
Issued capital	48,851,456	38,275,591
Reserves	28,589,851	27,283,730
Accumulated losses	(40,577,794)	(31,012,396)
	36,863,513	34,546,925
Financial Performance		
Loss for the year	(3,954,795)	(10,865,066)
Total comprehensive loss	(3,954,795)	(10,865,066)

Contingencies of the Parent Entity

There are no contingent liabilities involving the parent entity (2020: Nil).

Guarantees of the Parent Entity

There are no guarantees involving the parent entity (2020: Nil).

Contractual commitments of the Parent Entity

Included in the commitments in Note 23 are commitments incurred by the Parent Entity as follows:

	2021 $	2020 $
Research and development		
not later than 1 year	-	-
later than 1 year but no later than 5 years	-	-
Remuneration and consulting		
not later than 1 year	968,100	1,892,004

Remuneration represents key management personnel and senior management for a period of 12 months.
Consulting represents consulting commitments for their stated notice period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. INTERESTS IN SUBSIDIARY

The consolidated financial statements include the financial statements of Zelira Therapeutics Ltd and the subsidiaries in the following table.

	Country of Incorporation	% Equity Interest	
		2021	2020
Zelira Therapeutics Operations Pty Ltd	Australia	100%	100%
ZI Acquisition, Inc	USA	100%	100%
Ilera Therapeutics LLC	USA	100%	100%
Ilera Derm LLC*	USA	80%	80%
Zelira Oral Healthcare LLC*	USA	80%	-

*The results of Ilera Derm LLC and Zelira Oral Healthcare LLC are not considered significant to the Group for 2021

26. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with director related entities:
CPS Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Company director fees of $36,000 (2020: $36,000) and provided corporate advisory services to the Company during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to corporate advisory services was $48,000 (30 June 2020: $48,000) and capital raising fees of $nil (30 June 2020: $ 277,677), $7,000 of which was outstanding at 30 June 2021 (30 June 2020: $7,000).

Health House Holdings Ltd (Health House) is a company of which Messrs Karelis and Peterson were directors. Messsr Karelis and Peterson ceased to be directors of Health House on 30 April 2020 and 19 March 2021 respectively, prior to Health House being admitted to the ASX. Health House provided storage services to the Group during the year on normal commercial terms and conditions. The aggregate amount recognised during the year relating to distribution services was $24,132 (30 June 2020: $30,315), $2,000 of which was outstanding at 30 June 2021 (30 June 2020: $nil).

Remuneration related transactions with director related entities:
Gemelli Nominees Pty Ltd, a company of which Mr Harry Karelis is a Director, charged the Company director fees of $120,000 (2020: $120,000). No amount relating to consultancy services was recognised during the year and $nil was outstanding at year end.

There were no other related party transactions during the year.

27. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events of a material nature or transaction, that have arisen since year end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. CONTINGENT LIABILITIES

Caziwell Licence Agreement

On 21 March 2017, Zelira entered into a licence agreement with Caziwell Inc (Caziwell), including Aunt Zelda's Inc (Caziwell Licence Agreement) pursuant to which Caziwell agreed to licence patient data concerning the medicinal properties of cannabis and cannabis infused products, including formulations and protocols (Existing Data), to Zelira for use in pre-clinical research and human clinical trials and related activities.

The material terms of the Caziwell Licence Agreement are as follows:

a. Payment of a royalty to Caziwell of 5% of net sales for products in the insomnia, eczema, breast and brain cancer fields developed using specific formulations outlined in the Caziwell Licence Agreement.
b. A one-off milestone fee of $250,000 payable within 7 days of the first dosage by a participant in a Clinical Trial for breast or brain cancer.

Other than disclosed above, as at the 30 June 2021 the Company did not have any contingent liabilities

INDEPENDENT AUDITOR'S REPORT

To the members of Zelira Therapeutics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Zelira Therapeutics 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 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 1d 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 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* 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
Impairment of Intangible Assets Refer to Note 11	
As at 30 June 2021, the Group has a balance of $31,869,603 relating to intangible assets acquired as part of a business combination. The Group is required to determine if they have any impairment indicators for intangibles and conduct an impairment assessment in relation to goodwill and intangible assets with indefinite useful life annually. We consider this to be a key audit matter due to its importance to users' understanding of the financial statements, the degree of estimation involved in future cash flows, discount rates and other inputs to the value-in-use model and the degree of audit effort directed towards this area.	Our audit procedures included but were not limited to the following: • Determining whether impairment indicators exist; • Obtaining an understanding of the key controls associated with the preparation of the model used to assess the recoverable amount of the asset; • Critically evaluating management's methodology in the model and the basis for key assumptions; • Assessing the value-in-use model for consistency with the requirements of Australian Accounting Standards; • Comparing forecast cash flows to the latest Board approved forecasts; • Considering the appropriateness of the discount rate used; • Considering whether the assets comprising the cash-generating unit had been correctly allocated; • Comparing value-in-use to the carrying amount of assets comprising the cash-generating unit; • Performing sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the model; • Reviewing the mathematical accuracy of the model; and • Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

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

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 Zelira Therapeutics 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 August 2021

B G McVeigh
Partner

DIRECTORS' DECLARATION

The directors of the company declare that:

1. in the directors’ opinion, the financial statements and accompanying notes set out on pages 24 to 62 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the *Corporations Regulations 2001*; and

    b. give a true and fair view of the group’s financial position as at 30 June 2021 and of its performance for the year ended on that date;

2. note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

3. in the directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

4. the directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

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

Dr Oludare Odumosu
Global Managing Director

Dated at Perth this 30 day of August 2021

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 30 August 2021 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its *Corporate Governance Principles and Recommendations 4th Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee and risk management committee.

The Company's Corporate Governance Policies are available on the Company's website at www.zeliratx.com

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director (or equivalent) is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the

Company has adopted, and that its practice is consistent with, a number of guidelines including:
- Code of Conduct;
- Continuous Disclosure Policy;
- Diversity Policy;
- Performance Evaluation Policy;
- Procedures for Selection and Appointment of Directors;
- Remuneration Policy;
- Risk Management and Internal Compliance and Control Policy.
- Securities Trading Policy; and
- Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director responsibility for the management and operation of Zelira Therapeutics. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Zelira Therapeutics within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Zelira Therapeutics website.

Board Committees
The Board has recently formed a Nomination and Remuneration Committee. Refer to Principle 2 for further information.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of additional separate committees at this time, including audit and risk, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments
The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary
The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity
The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 50%
- Women in senior management positions 50%
- Women on the Board 20%

The Company's Diversity Policy is available on its website.

Board & Management Performance Review
On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:
- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:
- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Given, the size of the Board, the changes to the composition of the Board in May 2021 and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

Independent Advice
Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Zelira Therapeutics' expense.

Principle 2: Structure the board to be effective and add value

Board Composition
During the financial year and to the date of this report the Board was comprised of the following members:

Osagie Imasogie	Chairman
Harry Karelis	Deputy Chairman
Oludare Odumosu	Managing Director (USA)
Jason Peterson	Non-Executive Director
Lisa Gray	Non-Executive Director
Richard Hopkins	Managing Director (excluding USA) (resigned 15 May 2021)

The Board currently consists of one Executive and four Non-Executive Directors. Zelira Therapeutics has adopted a definition of 'independence' for Directors that is consistent with the Recommendations. Harry Karelis is considered to be an independent director. The remaining Board members are not considered to be independent as they are either executives of the Company or do not meet the definition of independent.

Board Selection Process
The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Zelira Therapeutics. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board established a Remuneration and Nomination Committee in July 2021. Members of the Committee are:

- Osagie Imasogie
- Harry Karelis
- Lisa Gray

The role of the Committee is, in respect of its nomination role, to:
(a) maintain a Board that has an appropriate mix of skills and experience to be an effective decision-making body; and
(b) ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership.

The Charter of the Remuneration and Nomination Committee can be found on the Company's website at www.zeliratx.com

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

The Company's values can be found on the Company's website at www.zeliratx.com.

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:
- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

The Company has adopted a Whistleblower Protection Policy and an Anti-Bribery and Corruption Policy, both of which can be found on the Company's website at www.zeliratx.com. The Boars is informed of any material incidents under both policies.

Principle 4: Safeguard the integrity of corporate reports

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Zelira Therapeutics' AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity’s financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Zelira Therapeutics and Zelira Therapeutics' securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

The Company ensures that all resolutions at a meeting of shareholders are decided by a poll rather than by a show of hands.

Principle 7: Recognise and manage risk
The Board is committed to the identification, assessment and management of risk throughout Zelira Therapeutics' business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Zelira Therapeutics has established policies for the oversight and management of material business risks.

Zelira Therapeutics' Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Zelira Therapeutics believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Zelira Therapeutics is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Zelira Therapeutics accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Zelira Therapeutics' approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Zelira Therapeutics assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Zelira Therapeutics applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Zelira Therapeutics' material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term.

The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Zelira Therapeutics' management of its material business risks on at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board established a Remuneration and Nomination Committee in July 2021. Members of the Committee are:

- Osagie Imasogie
- Harry Karelis
- Lisa Gray

The role of the Remuneration and Nomination Committee is, in respect of its remuneration role, to:

(a) Review and recommend to the Board remuneration policies and packages and terms of employment contracts in relation to Executives and Directors; and

(b) Review and recommend proposals for share plans and incentive programs.

Zelira Therapeutics has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Zelira Therapeutics operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Zelira Therapeutics' performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Zelira Therapeutics.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Zelira Therapeutics;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Zelira Therapeutics shares, foster a partnership between employees and other security holders.

The Remuneration Committee determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Committee is responsible for evaluating

Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Zelira Therapeutics' executive remuneration policies and structures and details of remuneration paid to directors and senior managers (where appointed) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $750,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. On 21 July 2020, Zelira approved the increase of the maximum aggregate remuneration approved by shareholders for Non-Executive Directors from $300,000 per annum to $750,000 per annum. The total fees paid to Non-Executive Directors during the reporting period were $336,000.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates and performance-based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' Report. The Charter of the Remuneration and Nomination Committee can be found on the Company's website at www.zeliratx.com.

ASX ADDITIONAL INFORMATION

Additional information as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 23 August 2021

Distribution of equity security holders (number of holders)

	1 – 1,000	**1,001 – 5,000**	**5,001 – 10,000**	**10,001 – 100,000**	**100,001 and over**	**Total**
Fully Paid Ordinary Shares (ZLD)	190	985	2,911	5,682	1,245	11,013
Options – 3.125c 17/11/21 Escrowed 24 Months	-	-	-	-	5	5
Options – 10c 16/01/22	-	-	-	-	2	2
Options – 10c 19/02/22	-	-	-	-	1	1
Options – 15c 19/02/22	-	-	-	-	1	1
Options – 20c 19/02/22	-	-	-	-	1	1
Options – 28c 19/02/22	-	-	-	-	1	1
Options – 30c 19/02/22	-	-	-	-	1	1
Options – 10c 11/08/23	-	-	-	-	1	1
Options – 12c 11/08/23	-	-	-	-	1	1
Options – 15c 11/08/23	-	-	-	-	1	1
Options – 20c 11/08/23	-	-	-	-	1	1
Options – 28c 11/08/23	-	-	-	-	1	1
Options – 30c 11/08/23	-	-	-	-	1	1
Performance Rights Class A	-	-	-	-	15	15
Performance Rights Class B	-	-	-	-	15	15

There are 4,663 holders of shares holding less than a marketable parcel.

Quoted equity securities as at 23 August 2021

Equity Security	**Quoted**
Ordinary Shares	1,190,322,966

Voting rights

Ordinary shares carry one vote per share. There are no voting rights attached to the options in the Company.

(d) Unquoted Securities as at 23 August 2021

The number of unquoted securities on issue as at 23 August 2021:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options [1]	27,000,000	3.125c	17/11/2021
Unquoted Options [2]	7,661,667	10	16/01/2022
Unquoted Options [3]	5,000,000	10	19/02/2022
Unquoted Options [3]	5,000,000	15	19/02/2022
Unquoted Options [3]	5,000,000	20	19/02/2022
Unquoted Options [3]	5,000,000	28	19/02/2022
Unquoted Options [3]	5,000,000	30	19/02/2022
Unquoted Options [4]	2,000,000	12	27/09/2022
Unquoted Options [5]	5,000,000	10	11/08/2023
Unquoted Options [5]	5,000,000	15	11/08/2023
Unquoted Options [5]	5,000,000	20	11/08/2023
Unquoted Options [5]	5,000,000	28	11/08/2023
Unquoted Options [5]	5,000,000	30	11/08/2023
Performance Rights Class A	381,370,322	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 19 December 2024	
Performance Rights Class B	381,370,322	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 19 December 2024	

Persons holding more than 20% of a given class of unquoted securities as at 20 August 2020:

1) 29% held by Sunset Capital Management Pty Ltd <Sunset Superfund>
2) 41% held by Dr Deborah Cooper, 59% held by Dr Meghan Thomas
3) 100% held by Dr Richard Hopkins and Ms Maya Vanden Driesen <Jesam A/C>
4) 100% held by Gaks Investment Holdings Pty Ltd <Gaks Holding A/C>
5) 100% held by Dr Oludare Odumosu

Restricted equity securities as at 22 August 2021

There are no restricted securities under ASX restricted escrow.

Substantial shareholders as at 23 August 2021

The Company has been notified of the following substantial shareholdings:

Mr Jason Peterson	74,593,952
Tiga Trading Pty Ltd	59,537,000

Twenty largest holders of quoted shares as at 23 August 2021

	Name	No. of Shares	%
1	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	55,413,617	4.66
2	UBS NOMINEES PTY LTD	54,737,000	4.60
3	GEMELLI NOMINEES PTY LTD <GEMELLI FAMILY A/C>	49,587,680	4.17
4	MARA GORDON	44,142,326	3.71
5	MAL WASHER NOMINEES PTY LTD <MAL WASHER FAMILY A/C>	27,046,000	2.27
6	CITICORP NOMINEES PTY LIMITED	26,403,260	2.22
7	OSAGIE IMASOGIE	16,413,065	1.38
7	MR ZOLTAN KEREKES	16,413,065	1.38
7	SHARRI J ROCHLIN <ROCHLIN FAMILY RESOURCE A/C>	16,413,065	1.38
10	GEERS EGAG LLC	15,000,000	1.26
11	MERA I LLC\C	13,879,566	1.17
12	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	11,200,000	0.94
13	MR AMIT GUPTA	10,179,999	0.86
14	MR ALAN TROUNSON	10,075,203	0.85
15	XENA ADVISORS LLC	8,888,889	0.75
16	CAPERANGE INVESTMENTS PTY LTD <SOUTHBANK EQUITY SUPER A/C>	8,768,918	0.74
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,581,127	0.72
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,578,480	0.72
19	MS LISA GRAY	8,206,565	0.69
20	MS KEELY GRAY <LISA M GRAY FAMILY 2020 A/C>	8,206,500	0.69
	TOTAL	**418,134,325**	**35.13**

Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code “ZLD”. The “Home Exchange” is Perth. Securities are also listed on the US OTCQB market under the code “ZLDAF”.

Other information

Zelira Therapeutics Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.