



AUS BIO LIMITED

Aus Bio Limited

And Controlled Entities ACN: 091 858 114

1. CORPORATE DIRECTORY

2. ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021



Aus Bio Limited

And Controlled Entities ACN: 091 858 114

CORPORATE DIRECTORY

Directors

Mr. Robert Thomas AO - Chairman
Mr. Peter T Bartels AO (Resigned 30th June 2021)
Mr. Charles Farquharson
Dr. Peter J Jenkins
Dr. Wen-Yang Wu

Registered Office & Accountants

ShineWing Australia Pty. Ltd.
Level 10
530 Collins Street
Melbourne, Victoria, 3000

Share Registry

Link Market Services Limited
Tower 4
727 Collins Street
Melbourne, Victoria, 3008

Auditors

PricewaterhouseCoopers
2 Riverside Quay
Southbank, Victoria, 3006

Annual General Meeting Of Aus Bio Limited

Virtual Meeting

Link: <https://agmlive.link/ablu21>

Thursday 18 November 2021

11:00 AM AEDT

Solicitors

DLA Piper
80 Collins Street
Melbourne, Victoria, 3000

AUS BIO LIMITED
AND CONTROLLED ENTITIES

(A.C.N. 091 858 114)

ANNUAL REPORT FOR THE YEAR ENDED
30 JUNE 2021

**AUS BIO LIMITED
AND CONTROLLED ENTITIES**

A.C.N. 091 858 114

DIRECTORS' REPORT

**AUS BIO LIMITED
AND CONTROLLED ENTITIES**

A.C.N. 091 858 114

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AUS BIO LIMITED AND CONTROLLED ENTITIES

A.C.N. 091 858 114

DIRECTORS' REPORT

Your Directors present their report on Aus Bio Limited and its controlled entities (the Group) for the financial year ended 30 June 2021.

Directors

The names of persons who were Directors of Aus Bio Limited at any time during or since the end of the financial year (30 June 2021) are:

Mr Robert Thomas AO – B.Econ, MSAA, SF Fin, FAICD, FRSN – Chairman

Mr Thomas has been a Director since 15 December 2011 and was appointed Chairman of the Company on 16 November 2012. Mr Thomas had more than 35 years' experience in the securities industry. He is currently a Director of Biotron Limited. He is Chairman of Grahger Retail Securities and on 25 August 2021 he was appointed a Director of Clarity Pharmaceuticals Ltd. Mr Thomas was an Independent Director of Virgin Australia Limited from September 2006 to February 2018. He is a former Director of REVA Medical Limited a US medical device company.

Mr Thomas has been a Non-Executive Director of Starpharma since 4 December 2013 and was appointed Chairman of Starpharma on 13 June 2014. Between October 1999 and September 2008 Mr Thomas had several roles within Citigroup Corporate and Investment Bank Australia and New Zealand including Chief Executive Officer, Chairman and Consultant. He is a former Director and Non-Executive Chairman of HeartWare Limited, subsequently HeartWare International, also a US medical device company.

Mr Thomas is a Fellow of the Institute of Company Directors (FAICD), Stockbrokers and Financial Advisers Association Limited (SAFAA), Financial Services Institute of Australia (FINSIA) and the Royal Society of New South Wales (FRSN) and he is also a Director of O'Connell Street Associates, and Co-Chair of the State Library of NSW Foundation.

Mr Peter Bartels AO, FRSA, FAMI

Mr Bartels was appointed as a Non-Executive Director and Chairman of Aus Bio Limited on 11 February 2005. He retired from the Chair on 16 November 2012 and remained a Non-Executive Director until his retirement on the 30th June 2021. Mr Bartels was Chairman of the ASX-listed Starpharma Holdings Limited from 6 August 2003 until his retirement from the Chair and the Board on 13 June 2014. Mr Bartels was Chairman of the Dean's External Advisory Committee for the Faculty of Medicine, Dentistry and Health Science at the University of Melbourne 2012/2016. He is the immediate past Chairman of the Australian Sports Commission, the Australian Institute of Sport and the Commonwealth Heads of Government Committee for Sport and the Royal Women's and Children's Hospitals and was a Director of the Melbourne Business School (Melbourne University) and a member of the Business Council of Australia for eight years. Mr Bartels was previously CEO and Managing Director of Coles Myer Limited and before that CEO and Managing Director of Fosters Brewing Company Limited. He has had broad-based experience in the pharmaceutical industry with previous roles with DHA Pharmaceuticals and Abbott Laboratories. Mr Bartels is Patron and life member of the Australian Cycling Federation.

Mr Charles Farquharson, B.Com (Melb). SF FIN

Mr Farquharson has been a Director since the date of incorporation of the company on 3 March 2000. Mr Farquharson has been involved in stockbroking for over 50 years. In 1970, he joined the partnership of A.C. Goode & Co. and became a member of the Australian Stock Exchange. More recently, he was Vice President of Merrill Lynch Private (Australia) and a Senior Investment advisor at Morgans Financial Limited until his retirement from stockbroking on 30 June 2017. He has had many years' experience dealing with "small to mid-cap" companies including equity raisings and management issues.

Dr Peter J. Jenkins, M.B. B.S., F.R.A.C.P. – Executive Director, Management

Dr Jenkins has been a Director since the date of incorporation of the Company on 3 March 2000. Dr Jenkins is a consultant physician and gastroenterologist and has held or holds both clinical research positions within the Alfred Hospital and also the Baker Medical Research Institute, Melbourne. He has held the positions of Head, Clinical Business Unit Gastroenterology and Gastrointestinal Surgery and Clinical Dean at the Alfred Hospital for the Monash University Faculty of Medicine. He is also a past Chairman of the Committee of Chairman Senior Medical Staffs of Major Victorian Hospitals. Dr Jenkins has been a Director of a number of private and public biotechnology companies, including the ASX listed Starpharma Limited where he was Deputy Chairman before his retirement (in 2015) after 17 years as a Director. He is a former Director and Chairman of Immuron (formerly Anadis Limited). Dr Jenkins is a former judge of the Australian Technology Awards. He is experienced in the issues and problems that face early stage biomedical research and development companies in Australia.

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Dr Wen-Yang Wu, B.Sc.B. Eng. (Shanghai) PhD (Latrobe) – Executive Director, Research and Development

Dr Wu was appointed as a Director on 3 September 2001. Following university graduation, Dr Wu worked as a research scientist at the Institute of Antibiotics in Shanghai, during which time he was involved in the discovery and design of new antibiotics including Rifampicin, Piperacillin and the Cephalosporins. Dr Wu came to Australia in the early 1980s. He completed his PhD at Latrobe University and worked as a postdoctoral fellow in Natural Product Chemistry at Australian National University. In the late 1980s, Dr Wu joined the anti-influenza research group at Victorian College of Pharmacy and had direct involvement in the design and was instrumental in the eventual synthesis of the Glaxo Wellcome anti-influenza compound now known worldwide as Relenza. From 1995 to 2001, Dr Wu was the Senior Principal Research Fellow at Biota Holdings Limited. He was awarded the Biota prize in 1997 and received the Clunies Ross National Science and Technology Award for his contribution to Australian science in 2000. Dr Wu's research interests include drug design and synthesis, natural product chemistry and the development of new antibiotics and other chemo-therapeutic agents.

The Directors have been in office since the commencement of the financial year to the date of this report, unless otherwise stated.

Company Secretary

The Company Secretary is Mr Charles Farquharson. Mr Farquharson was appointed to the position of Company Secretary on the 3 March 2000.

Principal Activities

Projects:

Aus Bio Limited is a biotechnology research and development company (R&D) which has continued to focus on and to progress, with AusVir Therapeutics Pty Ltd, the company's two major research initiatives: 1) MD2009 – Influenza, The Development of New Antivirals, and 2) MD990 – Development of Respiratory Anti-Inflammatory Therapeutics. The in-house R&D activities were carried out at Unit 1/27 Normanby Road, Notting Hill, Victoria 3168.

Joint Venture (JV):

On 3 March 2020, an incorporated JV between AusBio Limited (AB) and Morningside Venture Investments Ltd (MVIL) was established – AusVir Therapeutics Pty Ltd (ACN 638 074 405) (AVT). This JV company subsequently entered into a series of binding agreements with AB to progress the preclinical and early clinical development of AB's MD2009 Influenza Project. As previously advised, AVT took management control of this project from March 3, 2020. During the year under review AB collaborated closely and regularly with AVT management in the preclinical development of the influenza lead candidates.

AB and AVT also entered into a collaboration option agreement in July 2020 to collaborate in the performance of a joint research and commercial project development of AB's respiratory MD990 lead candidates for the treatment of certain respiratory diseases.

The Principal Activities of the Consolidated Entity were:

1. To progress the research programme to create new therapeutic products for disease states where there is both a perceived clinical need, and where large markets exist. There was no change in the pursuit of these goals;
2. To identify and to build on scientific and commercial alliances, and
3. To increase shareholder value.

Dividends

No dividends have been paid or declared since the end of the previous financial year.

Results of Operations

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$1,314,407 (2020 Profit \$469,974)

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DIRECTORS' REPORT

Review of Operations

Project MD2009 – Influenza, The Development of New Antivirals.

The Influenza Project was managed by AVT with significant input and assistance provided by AB staff on a weekly basis. AB personnel provided, when requested, samples of lead compounds, detailed synthesis protocols and continued inhouse with scientific work, simplifying syntheses and working on scale up procedures. In recognition of the services provided by AB to AVT in support of the preclinical development of the influenza project, AB received service payments of \$990,403 over the 12 month period.

This payment included additional and agreed supplementary adjustment payments of approximately \$22,000 per calendar month in recognition of the increased work done and services provided by AB to AVT over and above what was initially anticipated.

COVID-19 - Pandemic.

SARS -2 CoV-19 is the name of the virus that causes the disease now known as COVID-19 which has resulted in a pandemic that has had significant negative impacts on populations worldwide, diverse societies and on global commerce and industry. Millions have been infected with this virus and many hundreds of thousands have either died or been hospitalised. AB and AVT have experienced direct and indirect delays, caused by the pandemic. It is anticipated that the full impact of the pandemic on both AVT and AB's projects, finance and prospects may be significant. Prolonged periods of social distancing, travel restrictions and regular lockdowns, have all had adverse consequences on both AVT and AB's supply chains, resulting in delays in shipping important chemical and intermediate precursors of late stage compounds/lead drug candidates.

AB worked and liaised closely with AVT's management to progress various aspects of the MD2009 lead candidates through synthesis and scale up. This work has proved to be challenging and is ongoing at year end. Aus Bio's R & D work program has been performed inhouse.

Joint Venture with AusVir Therapeutics Pty Ltd (AVT)

The principal terms on which this Joint Venture was implemented on 3 March 2020, are as follows.

1. AB and its wholly owned subsidiary, Australian Biomedical Company Pty Ltd transferred all their interests in the Influenza drug candidates developed by AB to AVT
2. In consideration of the transfer of the influenza intellectual property AB was issued with a total of 200,000 shares in AVT
3. Subsequently MVIL subscribed for 235,294 ordinary shares in AVT for a sum of AUD\$23,440,000, payable in four tranches and subject to the satisfaction of certain conditions. The first tranche payment occurred at the same time as AB subscribed for ordinary shares and involved MVIL also subscribing for 35,134 ordinary shares in AVT for AUD\$3,500,000 less costs of AUD \$75,000.
4. AB also granted AVT an option to acquire AB's interest in the MD 990 Respiratory Disease Anti Inflammatory Project and the lead drug candidates developed.

Since the transfer of the influenza project to AVT, the management of the influenza project that been undertaken by that company's personnel and advisors. AB senior management and scientists have closely interacted with AVT management on a weekly basis.

AVT has appointed an internationally regarded clinical research organisation to complete the de-risking activities and the optimisation of the influenza lead candidates. This development work has included the scale up process for the manufacturing of the lead candidates and the selection of preliminary formulations. The synthesis and scale up process has proved challenging and the work is ongoing.

Project MD 990- Development of Respiratory Anti- Inflammatory Therapeutics

This project was progressed inhouse and under contract with Monash University where a third Murine COPD study was undertaken with promising results ensuing. In collaboration with AVT, AB entered into a contract research program with another Australian University to define, if possible, the mode of action of the MD990 drug candidates. This latter work is ongoing.

The R&D Work Program has been performed both in house and also by specific contracted personnel from various Australian Universities and subcontractors when required.

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Subsequent Events

Background

The AVT Board agreed unanimously in late March 2021 to recommend proceeding with MD378 and MD379 as the two influenza lead candidates for additional preclinical development work. A further recommendation was to ask MVIL for an early draw down of Tranche 2a in April/May 2021, based on the progress made with MD378 and MD379 as lead candidates. Subsequently MVIL advised AVT management that MVIL did not agree that the Tranche 2a conditions for an additional equity subscription had been satisfied. MVIL requested additional In-vivo murine influenza data. Consequently, ten and thirty day in-vivo prophylactic influenza experiments were performed. The results for the ten day prophylaxis studies were highly satisfactory. However, the thirty day prophylaxis studies did not replicate AB's previous, highly promising University of Melbourne results.

In August 2021, MVIL advised the General Manager of AVT that MVIL would no longer fund a Tranche 2a share subscription, due to the significant effect of COVID-19 disease on populations worldwide, the decrease in current circulating influenza strains and the increased costs and duration of conducting influenza trials. In addition, MVIL noted that there were ongoing technical challenges with scale up and synthesis of the two lead candidates, particularly MD379 and the competitive landscape for influenza antivirals had altered. MVIL has agreed to work with AVT/AB to find a strategy to enable the parties to proceed. In the meantime, the General Manager of AVT has advised that AVT will support the costs associated with maintaining the influenza IP for the time being.

Likely Developments, Future Prospects and Business Strategies

Further information on likely developments, future prospects and business strategies of the operations of the consolidated entity and the expected results of those operations have not been included in this report because the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity. The Directors are cognisant that the operations of the consolidated entity will require further funding to continue the preclinical development program of both projects

Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Director Shareholdings

Directors hold directly, indirectly* or beneficially as at the reporting date the following equity interests:

	No. of fully paid ordinary shares held	No. of partly paid ordinary shares held	Options(1)
Mr Peter Bartels AO*	161,679	-	-
Mr Charles Farquharson*	654,164	-	-
Dr Peter J Jenkins*	889,060	-	-
Dr Wen-Yang Wu*	515,736	-	-
Mr Robert Thomas AO*	485,000	-	-

* includes all relevant interests in accordance with section 608 of the Corporations Act 2001, being a person who holds or controls voting or disposal of the securities.

(1) All options held by directors at 30 June 2020 expired on 30 September 2020.

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DIRECTORS' REPORT

Directors' Remuneration

The remuneration for each Director of the consolidated entity during the year was:

Name		Directors' Fees	Base Salary	Short Term Incentive	Super-annuation	Long Service Leave	Annual Leave	Total
		\$	\$	\$	\$	\$	\$	\$
Mr Peter Bartels AO	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
Mr Charles Farquharson	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
Dr Peter J Jenkins	2021	-	290,985	-	29,099	(i)(9,170)	(i)(8,030)	302,884
	2020	-	286,699	10,877	29,758	(i)(24,047)	51,318	354,605
Dr Wen-Yang Wu	2021	-	317,717	-	31,772	(i)(52,725)	15,223	311,987
	2020	-	313,037	11,130	32,417	8,595	(i)(37,563)	327,616
Mr Robert Thomas AO	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
Total	2021	-	608,702	-	60,871	(61,895)	7,193	614,871
Total	2020	-	599,736	22,007	62,175	(15,452)	13,755	682,221

(i)Item is negative due to Long Service Leave actually taken during 2021

Options Issued as Part of Remuneration

Directors did not receive options as part of their remuneration during the last year.

Directors' Meetings

The attendances of Directors at the Board Meetings held during the year are shown below: AVT and the European based Contract Research Organisation conducting the de-risking activities of the Influenza Project held numerous weekly meetings to discuss progress. AB personnel attended most of these virtual meetings.

	No. eligible to attend	Number attended
Mr Peter Bartels AO	5	5
Mr Charles Farquharson	5	5
Dr Peter J Jenkins	5	5
Dr Wen-Yang Wu	5	5
Mr Robert Thomas AO	5	5

Indemnification of Officers

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of Aus Bio Limited, the Company Secretary and all Executive Officers of the Group and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Options

At the date of this report, there are no unissued ordinary shares of Aus Bio Limited under option.

Retirement of Mr Peter Tasman Bartels AO

Mr Peter Bartels AO resigned from the AB Board on 30 June 2021. Mr Bartels had been a director of AB for more than 16 years, including nearly 8 years as Chairman. His wise counsel and vast business experience has been invaluable and is greatly appreciated by his fellow directors. The Board wishes him well in his retirement and sincerely thank him for his commitment, service and support to all AB shareholders.

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DIRECTORS' REPORT

Proceedings on Behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or any of its controlled entities, or intervene in any proceedings to which the Company or any of its controlled entities is a party, for the purpose of taking responsibility on behalf of the Company or any of its controlled entities for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company or any of its controlled entities with leave of the Court under Section 237 of the Corporations Act 2001.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required Section 307C of the Corporations Act 2001 is set out on page 9.



Robert Thomas AO - Chairman
Melbourne
16 September 2021



Peter Jenkins – Executive Director



Auditor's Independence Declaration

As lead auditor for the audit of Aus Bio Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aus Bio Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S.P.A.', with a stylized flourish at the end.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
16 September 2021

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**FINANCIAL REPORT
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This financial report covers the consolidated entity consisting of Aus Bio Limited and its controlled entities. The financial report is presented in Australian Dollars.

Aus Bio Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is c/- ShineWing Australia Pty Ltd, Level 10, 530 Collins Street, Melbourne and the principal place of business is Unit 1/27 Normanby Road, Notting Hill, 3168, Victoria.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations outlined in the Directors' Report on pages 3 - 8, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 16 September 2021. The Company has the power to amend and reissue the financial report.

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

	Notes	Consolidated entity	
		2021 \$	2020 \$
Revenue from continuing operations	5	-	-
Other income	5	1,071,008	2,540,037
Other expenses incurred in connection with continuing operations			
- Research & development activities		(1,531,740)	(1,348,940)
- Administration		(76,355)	(85,215)
Finance Costs	18(a)	(2,357)	(4,470)
Share of net loss of associates and joint ventures accounted for using the equity method	16(e)	(774,963)	(631,438)
		<u>(1,314,407)</u>	<u>469,974</u>
Profit (Loss) from continuing operations before income tax			
Income tax	14	-	-
Net profit (loss) from continuing operations after income tax		<u>(1,314,407)</u>	<u>469,974</u>
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		<u>(1,314,407)</u>	<u>469,974</u>
Profit (Loss) attributable to:			
Members of Aus Bio Limited		<u>(1,314,407)</u>	<u>469,974</u>
Total comprehensive income (loss) attributable to:			
Members of Aus Bio Limited		<u>(1,314,407)</u>	<u>469,974</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021**

	Notes	Consolidated entity	
		2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,034,471	1,093,405
Receivables	7	296,511	1,552,191
Prepayments	8	19,518	14,846
Total Current Assets		1,350,500	2,660,442
Non-Current Assets			
Plant & equipment	9	62,670	74,719
Right of use asset	18(b)	96,335	92,553
Investments accounted for using equity method	16(e)(iii)	-	774,963
Total Non-Current Assets		159,005	942,235
Total Assets		1,509,505	3,602,677
Current Liabilities			
Payables	10	113,662	1,030,616
Provisions	11	913,542	804,622
Lease liability	18(c)	68,678	66,677
Total Current Liabilities		1,095,882	1,901,915
Non-Current Liabilities			
Lease liability	18(c)	29,722	28,857
Total Non-Current Liabilities		29,722	28,857
Total Liabilities		1,125,604	1,930,772
Net Assets		383,901	1,671,905
Equity			
Contributed equity	12	22,189,308	22,162,905
Reserves	13	-	-
Accumulated losses	13	(21,805,407)	(20,491,000)
Total Equity		383,901	1,671,905

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

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

Consolidated entity	Notes	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019		22,162,905	-	(20,960,974)	1,201,931
Profit for the year		-	-	469,974	469,974
Total comprehensive income for the year		-	-	469,974	469,974
Transactions with owners in their capacity as owners					
Share based payments expense		-	-	-	-
Contributions of equity, net of transaction costs		-	-	-	-
Balance at 30 June 2020		22,162,905	-	(20,491,000)	1,671,905
Balance at 1 July 2020		22,162,905	-	(20,491,000)	1,671,905
Loss for the year		-	-	(1,314,407)	(1,314,407)
Total comprehensive income for the year		-	-	(1,314,407)	(1,314,407)
Transactions with owners in their capacity as owners					
Share based payments expense		-	-	-	-
Contributions of equity, net of transaction costs		26,403	-	-	26,403
Balance at 30 June 2021		22,189,308	-	(21,805,407)	383,901

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

**AUS BIO LIMITED
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Consolidated entity	
		2021 \$	2020 \$
Cash flow from operating activities			
Payments to suppliers and employees (inclusive of GST)		(2,636,690)	(1,912,161)
Research & development tax incentive		620,004	710,684
Interest received		2,733	9,876
Receipts from other income		2,006,416	330,689
Net cash inflow/(outflow) from operating activities	17	<u>(7,537)</u>	<u>(860,912)</u>
Cash flow from investing activities			
Acquisition of property, plant & equipment		(8,974)	(4,212)
Receipts from option contract		-	900,000
Payment on incorporation of joint venture		-	(1)
Net cash inflow/(outflow) from investing activities		<u>(8,974)</u>	<u>895,787</u>
Cash flow from financing activities			
Proceeds from issue of shares and exercise of options, net of transaction costs		26,403	-
Lease repayments		(68,826)	(66,821)
Net cash inflow/(outflow) from financing activities		<u>(42,423)</u>	<u>(66,821)</u>
Net decrease in cash & cash equivalents		(58,934)	(31,946)
Cash & cash equivalents at beginning of year		1,093,405	1,125,351
Cash & cash equivalents at end of year	6	<u>1,034,471</u>	<u>1,093,405</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Aus Bio Limited is a for profit entity for the purpose of preparing the financial statements.

The financial report covers Aus Bio Limited (the Company) and its controlled entity as a consolidated entity (the Group). The controlled entity includes Australian Biomedical Company Pty Ltd. Aus Bio Limited (Aus Bio) and its controlled entity are all companies limited by shares and all are incorporated in Australia. The Group has elected not to implement tax consolidation legislation at the date of signing this report.

Going concern

As explained in the Directors' Report, Aus Bio is in the research and development stage and, at this stage, has no commercial projects that bring a sustainable income stream. In 2021 the Company generated a net loss of \$1,314,407 (2020 profit \$469,974) and a net cash outflow of \$58,934 (2020 \$31,945). As at 30 June 2021 it had net assets of \$383,901 (2020 \$1,671,905), available cash and cash equivalents of \$1,034,471 (2020 \$1,093,405), and accumulated losses of \$21,805,407 (2020 \$20,491,000).

The ongoing viability of Aus Bio and its ability to continue as a going concern, meet commitments as they fall due and execute its existing and future commercialisation plans are critically dependent on being successful in:

- raising additional capital from new and existing shareholders;
- receiving expected research & development tax incentive payments;
- ongoing management of expenditure;
- ongoing positive outcomes related to clinical trials and associated receipts from commercialisation activities.

Aus Bio's future Research, Development and Commercialisation plans are currently being restructured to progress the company's projects. Historically Aus Bio has been able to get the additional funding from new or existing shareholders and/or through research & development tax incentive payments.

If sufficient funds are not available to the company, then the company will not be able to progress to the next stage of development, and will need to curtail its operational activities in order to pay its debts..

As a result of these matters there is a material uncertainty related to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern, and the Company may therefore be unable to realise its assets and discharge its liabilities in the normal course of the business.

The Directors are currently uncertain that Aus Bio will be successful in the above matters.

This financial report is prepared on a going concern basis. That being said, the future of Aus Bio over the period of 12 months from the date of this report is not assured unless sufficient additional funds are raised within the next 12 months.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 30 June 2021.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Compliance with IFRS

The financial report of Aus Bio Limited complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property.

AUS BIO LIMITED AND CONTROLLED ENTITIES

A.C.N. 091 858 114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group functional and presentation currency.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(b) 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 segments has been identified as the Executive Director.

Description of segments

Aus Bio Limited operates in one business and geographical segment, being research and development in biotechnology in Australia, which is consistent with the internal reporting provided to the Chief Operating Decision Maker.

(c) Principles of consolidation and equity accounting

(i) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Equity Method

Under the equity method of accounting in accordance with AASB128 *Investments in Associates and Joint Ventures*, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

AUS BIO LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of asset and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting periods in the countries where the Group operates and generates taxable income. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(e) Leases

The entity determines whether an arrangement contains a lease by assessing whether, throughout the period of use, the entity has both of the following with reference to the terms and conditions of the contractual arrangement:

1. the right to obtain substantially all of the economic benefits from use of the identified asset (considering the scope of the contract); and
2. the right to direct the use of the identified asset.

For leases identified as above, the entity recognises a right-of-use asset and a corresponding lease liability. Right of use assets are initially recognised at cost that includes the following:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the entity; and
- d) an estimate of costs to be incurred by the entity in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The entity may incur the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The subsequent measurement of right of use assets is based on the measurement model applicable to the class of underlying asset to which the right of use asset relates to. In the case of right-of-use assets, where the underlying asset is subjected to accounting as per cost model, they are depreciated or amortised over the lease term or the useful life of the underlying asset depending on whether the lease transfers ownership of the underlying asset at the end of the lease term.

Lease liability is recognised at the commencement date of the lease at the present value of the lease payments that are not paid at that date using the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate applicable to the entity. For this purpose the lease payments include variable lease payments that depend on an index or rate measured using the index or rate at the commencement date. The lease liability is re-assessed and re-measured in subsequent reporting periods by an adjustment to the corresponding right of use asset when there is a change in estimated future lease payments (using original discount rate) or lease term or option to purchase the underlying asset (using revised discount rate applicable to the lease term).

For leases that are of short term (less than 12 months) or of low value of the underlying identified asset, no right of use asset and lease liability is recognised. Instead the related lease payments are expensed as and when they are incurred.

In the case of transaction of sale and lease back, the entity determines whether the transaction is in effect a sale as per AASB 15. If the transaction is a sale then a right of use asset is recognised for the rights retained by the entity and gain or loss is recognised for the rights transferred on account of the sale. If fair value of the sale consideration is not equal to the fair value of the asset then any below market terms is accounted as a prepayment of lease payment. Any above market term is accounted as additional financing to the buyer-lessor. If the transaction is not a sale then a financial asset or financial liability is recognised for the proceeds received or paid, as the case may be.

Lease modifications are accounted as a separate lease if the modification increases in the scope of the contract and the consideration payable is commensurate to the stand alone price of the increased scope and after reflecting adjustments to the standalone price to reflect the circumstances of the lease contract. When the lease modifications do not result in a separate lease, the lease liability is re-measured (by discounting at the revised discount rate) with corresponding adjustment to the related ROU asset.

AUS BIO LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(f) Cash & cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and other short-term deposits with maturities of more than three months. These are shown within financial assets in current assets in the balance sheet.

(g) Research and development costs

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense in the period in which they are incurred.

Costs associated with patents and trademarks are recognised in profit or loss in the period in which they are incurred.

(h) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued, or liabilities undertaken at the date of exchange plus incidental costs directly attributable to the acquisition.

(i) Plant & equipment

Plant and equipment is stated at historical cost less depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss in the period they are incurred.

Depreciation is calculated on a diminishing method basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The rates utilised for depreciation are as follows:

Plant and equipment	15.00%
Computer equipment	37.50%

Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell or value in use. Where the carrying amount exceeds its recoverable amount an impairment loss is recognised in the profit or loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised, and are measured at the amounts expected to be paid when the liabilities are settled. Employee benefits and costs, including payroll tax, are recognised and included in other creditors when the employee benefits to which they relate are recognised as liabilities.

(ii) Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future salary levels, experience of employee departures and periods of service.

AUS BIO LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Share based payments

Share-based compensation benefits are provided to employees via the Aus Bio Limited Director and Employee Share Option Plan. Information relating to this Plan is set out in Note 13.

The fair value of options granted under the Aus Bio Limited Director and Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect the market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the consolidated entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise or lapse of options, Aus Bio Limited will transfer any amounts from this reserve.

(l) Contributed equity

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

(m) Revenue recognition

Interest revenue is recognised on an accruals basis using the effective interest rate method. Grants from the government are recognised at their fair value where there is a reasonable assurance the grant will be received and the Group will comply with all attached conditions. Government grants refunding costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Service Fees are recognised in the accounting period in which the services are provided.

NOTE 2 – Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Market risk

The Group has minimal exposure to foreign exchange risk at this point in time.

Credit risk

The Group has no significant concentrations of credit risk as it does not have significant third party receivables.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Directors regularly monitor the cash position of the consolidated entity, giving consideration to the level of expenditure and future capital commitments entered into.

Cashflow interest rate risk

As the Group has interest-bearing assets, the Group's income and operating cashflows are subject to changes in market interest rates. The Group uses fixed rate term deposits with maturities of no greater than six months.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**AUS BIO LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 – Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions.

(b) Critical accounting judgements in applying accounting policies

Research and Development Tax Incentive – In applying this accounting policy, the Group had continued to record the income tax benefit relating to cash rebates once it is probable that the associated benefit will be realised. Prior to 1 July 2011, the Group had recognised the actual rebate received in the year (in respect of the previous financial year), rather than the expected amount receivable for the current year. However, from 1 July 2011 the Group started to recognise an estimate of Research and Development Tax Incentive receivable for the current year.

For the 2021 financial year, a Research and Development Tax Incentive contra expense of \$282,462 has been recognised.

Classification of joint arrangements - The joint venture agreements in relation to the AusVir Therapeutics Joint Venture require unanimous consent from all parties for all relevant activities. The two shareholders have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the joint venture company. This entity is therefore classified as a joint venture and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 1(c)(ii).

**AUS BIO LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Consolidated entity	
	2021	2020
	\$	\$
NOTE 4 – Expenses		
Loss from continuing operations before income tax benefit includes the following specific expenses:		
Depreciation		
Plant and equipment	19,832	15,495
Computer equipment	1,191	1,461
Right of use asset	65,554	65,332
Total depreciation	<u>86,577</u>	<u>82,288</u>
Payroll Expenses	<u>1,245,987</u>	<u>1,342,545</u>
Research and Development Tax Incentive (contra expense)	<u>(302,466)</u>	<u>(615,695)</u>
NOTE 5 – Revenue and other income		
Revenue from continuing operations		
<i>Other income</i>		
Interest revenue	2,733	9,876
Gain on reduction of joint venture ownership	-	1,406,400
Cash boost subsidy	50,000	50,000
Secretarial and administrative services – reimbursement	1,075	4,486
Fee for technical and scientific guidance and advice to joint venture	990,403	169,275
IP option execution fee	-	900,000
Export Market Development Grant	25,125	-
Insurance Claim Proceeds	1,672	-
	<u>1,071,008</u>	<u>2,540,037</u>
NOTE 6 – Cash and cash equivalents and financial assets		
Cash on hand	119	119
Cash at bank	634,352	293,286
Cash on deposit	400,000	800,000
	<u>1,034,471</u>	<u>1,093,405</u>
Cash at bank and Cash on deposit are bearing rates of interest ranging from 0% to 1.00% (2020: 0% to 1.00%)		
Maturity periods for Cash on deposit are less than 3 months.		
NOTE 7 – Receivables		
Sundry Receivable	-	937,669
Trade Debtors	-	157
Interest Receivable	24	340
Research & Development Tax Incentive	282,462	600,000
Rental Bond	14,025	14,025
	<u>296,511</u>	<u>1,552,191</u>

The Group has no trade receivables past due at 30 June 2021 (2020: Nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Consolidated entity	
	2021 \$	2020 \$
NOTE 8 – Prepayments		
Prepaid expenses	19,518	14,846
NOTE 9 – Plant & equipment		
Building refurbishment – at cost	188,458	188,458
Less: accumulated depreciation	(188,458)	(188,458)
Closing written down value	<u>-</u>	<u>-</u>
Plant & equipment – at cost	321,276	312,302
Less: accumulated depreciation	(259,797)	(239,965)
Closing written down value	<u>61,479</u>	<u>72,337</u>
Computer equipment – at cost	19,777	19,777
Less: accumulated depreciation	(18,586)	(17,395)
Closing written down value	<u>1,191</u>	<u>2,382</u>
	<u>62,670</u>	<u>74,719</u>

Reconciliation

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

Consolidated entity	Plant & Equipment	Computer Equipment	Total
Carrying amount at 1 July 2019	85,110	2,353	87,463
Additions	2,722	1,490	4,212
Depreciation expense	(15,495)	(1,461)	(16,956)
Carrying amount at 30 June 2020	<u>72,337</u>	<u>2,382</u>	<u>74,719</u>
Carrying amount at 1 July 2020	72,337	2,382	74,719
Additions	8,974	-	8,974
Depreciation expense	(19,832)	(1,191)	(21,023)
Carrying amount at 30 June 2021	<u>61,479</u>	<u>1,191</u>	<u>62,670</u>

NOTE 10 – Current Payables

GST	27,011	938,269
Accrued expenses	41,987	35,000
Other payables	44,664	57,347
	<u>113,662</u>	<u>1,030,616</u>

**AUS BIO LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Consolidated entity	
	2021	2020
	\$	\$
NOTE 11 – Provisions		
Provision for annual leave entitlements	125,840	110,370
Provision for long service leave entitlements	244,895	326,295
Provision for deferred salary	542,807	367,957
	<u>913,542</u>	<u>804,622</u>

The provision for deferred salary relates to salaries and benefits foregone by Dr Peter Jenkins and Dr Wen Yang Wu. The liability will be reimbursed when the company's financial position allows.

NOTE 12 – Contributed equity

(a) Share capital

Ordinary shares – fully paid	22,189,308	22,162,905
(b)	<u>22,189,308</u>	<u>22,162,905</u>

(b) Movements in ordinary share capital

		No. of Shares	Price per Share	\$
1 July 2019	Opening balance	17,800,703		22,162,905
21 January 2020	Allotment of employee bonus shares	2,727		-
30 June 2020	Closing balance	<u>17,803,430</u>		<u>22,162,905</u>
1 July 2021	Opening balance	17,803,430		22,162,905
25 September 2020	Exercise of Options	4,000	\$1.95	7,800
30 September 2020	Exercise of Options	9,540	\$1.95	18,603
2 March 2021	Allotment of employee bonus shares	1,784		-
30 June 2021	Closing balance	<u>17,818,754</u>		<u>22,189,308</u>

(c) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to a vote. At 30 June 2021, there were 17,818,754 fully paid ordinary shares on issue

(d) Options

At the date of this report, there are no unissued ordinary shares of Aus Bio Limited under option.

NOTE 13 – Reserves and Accumulated Losses

(a) Accumulated Losses

Accumulated loss at beginning of financial year	(20,491,000)	(20,960,974)
Reversal of options provision	-	-
Net profit (loss) for the year	(1,314,407)	469,974
Accumulated loss at end of financial year	<u>(21,805,407)</u>	<u>20,491,000</u>

**AUS BIO LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Share-based payments

(i) Director & Employee Share Option Plan

No options were granted to eligible directors/employees under the Aus Bio Limited Employee Share Option Plan during the year ended 30 June 2021 (2020: nil).

Consolidated entity

2021 2020
\$ \$

NOTE 14 – Income tax

(a) Numerical reconciliation of income tax expense to prima facie tax receivable

Profit (Loss) from continuing operations	(1,314,407)	469,974
Tax at 27.5% (2020 – 27.5%)	(361,462)	129,243
Tax effect of amounts not deductible in calculating taxable income:		
Eligible expenses claimed under R & D tax incentive	95,390	205,959
Non-deductible entertainment & fines	-	496
Permanent differences	199,113	(400,510)
Temporary differences and tax losses not brought to account	66,959	64,813
Income Tax Benefit	-	-

(b) Amounts recognised directly in Equity

There are no current or deferred taxes recognised directly in equity in the current or prior year.

(c) Deferred Tax Asset

The deferred tax asset not taken into account is:

Temporary differences	1,021,480	979,396
Tax losses	7,417,761	7,879,127
	8,439,241	8,858,523
Tax effected at 27.5% (2020 – 27.5%)	2,320,791	2,436,094

These estimated benefits have not been brought to account as realisation is not probable.

This benefit for tax losses will only be obtained if:

- I. The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from deductions for the losses to be realised, or
- II. the losses are transferred to an eligible entity in the consolidated entity, and
- III. the consolidated entity complies with the conditions for deductibility imposed by tax legislation, and
- IV. no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTE 15 – Auditor’s remuneration

Remuneration of the auditor of the Company and its controlled entities:

Audit of financial report under the <i>Corporations Act 2001</i>	40,000	35,000
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There is no remuneration for tax and advisory services in the current or prior year.

**AUS BIO LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 – Related party transactions

(a) Directors

The names of persons who were Directors of Aus Bio Limited at any time during the financial year are as follows:

Executive Directors

Dr Peter J Jenkins
Dr Wen Yang Wu

Non-Executive Directors

Mr Peter Bartels AO (resigned 30 June 2021)
Mr Charles Farquharson
Mr Robert Thomas AO

(b) Key management personnel compensation

The key management personnel compensation for the years ended 30 June 2021 and 30 June 2020 is set out below. The key management personnel are all the Directors of the Company, as outlined above.

	Short-term benefits	Post-employment benefits	Long Service Leave	Annual Leave	TOTAL
2021	\$608,702	\$60,871	(\$61,895)	7,193	\$614,871
2020	\$621,743	\$62,175	(\$15,452)	13,755	\$682,221

(c) Other transactions with key management personnel or entities related to them

(i) Equity Holdings

Key management personnel hold directly, indirectly* or beneficially as at the reporting date the following equity interests as at 30 June 2021.

	No. of fully paid ordinary shares held	No. of partly paid ordinary shares held	Options
Mr Peter Bartels AO*	161,679	-	-
Mr Charles Farquharson*	654,164	-	-
Dr Peter J Jenkins*	889,060	-	-
Dr Wen-Yang Wu*	515,736	-	-
Mr Robert Thomas AO*	485,000	-	-

** includes all relevant interests in accordance with section 608 of the Corporations Act 2001, being a person who holds or controls voting or disposal of the securities.*

(ii) Loans from directors and director-related entities

There were no loans made by companies in the consolidated entity to the Directors of those companies or their director related entities in the years ended 30 June 2021 and 2020.

(iii) Other transactions and balances

During the financial year, Dr Peter Jenkins (a Director of the Company), received various amounts totalling \$3,520 (2020 \$19,081) for reimbursement of contractor costs and office administration costs including provision of IT, telephone services and travel incurred on behalf of Aus Bio Limited. These transactions were made on normal commercial terms and conditions and at market rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) Interest in subsidiaries

Set out below are the Group's principal subsidiaries at 30 June 2021. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2021 %	2020 %
Australian Biomedical Company Pty Ltd	Australia	Ordinary	100	100

(e) Interest in joint ventures

Set out below are the associates and joint ventures of the group as at 30 June 2021 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement Method	Carrying Amount	
		2021 %	2020 %			2021 \$	2020 \$
AusVir Therapeutics Pty Ltd	Australia	85	85	Joint Venture	Equity Method	Nil	774,963

(i) Summarised financial information for joint ventures

The table below provides summarised financial information for those joint ventures that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not Aus Bio Limited's share of those amounts.

Balance sheet	2021 \$	2020 \$
Balance sheet		
Current assets		
Cash and cash equivalents	16,080	1,925,444
Other current assets	530,665	956,072
Total current assets	546,745	2,881,516
Non-current assets	9,752,053	10,116,566
Current liabilities		
Financial liabilities	3,525	939,950
Total current liabilities	3,525	939,950
Net assets	10,295,273	12,058,132

There are no commitments or contingent liabilities in respect to the joint venture.

**AUS BIO LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) Reconciliation of aggregate carrying amount of joint venture

The table below reflects adjustment made by Aus Bio Limited when using the equity method.

	\$
Allocation of 200,000 shares	9,376,001
Elimination of profit on transfer of IP related to ownership interest	(7,969,600)
Share of operating loss	(631,438)
Closing Balance 30 June 2020	774,963
Opening Balance 1 July 2020	774,963
Share of operating loss	(774,963)
Closing Balance 30 June 2021	-

(iii) Other Transactions with joint venture

During the financial year, the company provided monthly services to the joint venture in relation to technical and scientific guidance and advice required for product development of MD2009 and the provision of administrative and financial support totalling \$990,403 (2020 \$169,275).

	Consolidated entity	
	2021	2020
	\$	\$
NOTE 17 – Reconciliation of loss from continuing operations to net cash used in operating activities		
Profit (loss) from continuing operations after tax benefit	(1,314,407)	469,974
Non cash flows in profit/ (loss) from continuing operations		
Depreciation of assets	21,023	16,956
Share based payments	-	-
Depreciation – ROU asset	65,554	65,332
Interest paid – Lease liability	2,357	4,470
Gain on sale of patents	-	(1,406,400)
Share of loss of joint venture	774,963	631,438
Receipts from option contract classified as investing activity	-	(900,000)
Changes in operating assets and liabilities		
(Increase) / Decrease in receivables	1,255,679	(816,826)
(Increase) / Decrease in prepayments	(4,672)	(21)
Increase / (Decrease) in payables	(916,954)	935,486
Increase / (Decrease) in provisions	108,920	138,679
Net cash (outflow) from operating activities	(7,537)	(860,912)

NOTE 18 – Leases

(a) Amounts recognised in statement of comprehensive income

Depreciation of right of use assets		
Building	65,554	65,332
Interest expense on lease liabilities	2,357	4,470

(b) Amounts recognised in the balance sheet

Right of use assets		
Building	96,335	92,553
Lease liabilities		
Current	68,678	66,677
Non-current	29,722	28,857
	98,400	95,534

On 31 May 2021, Aus Bio took up a renewal option of one year on the existing lease, to commence from 1 December 2021 until 31 November 2022. The effect of this extension was to increase the Right of Use carrying balance and Lease Liability by \$69,335

**AUS BIO LIMITED
AND CONTROLLED ENTITIES**

A.C.N. 091 858 114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) Maturity analysis of lease liabilities

Below is a maturity analysis of lease liabilities relating to existing operating leases of the entity using undiscounted amounts:

Consolidated Group	Within 1 Year		1 to 5 Years		Over 5 Years	
	2021	2020	2021	2020	2020	2019
	\$	\$	\$	\$	\$	\$
Lease liabilities	70,891	68,826	29,901	29,030	-	-

NOTE 19 – Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	2021	2020
	\$	\$
Balance sheet		
Current assets	1,350,500	2,660,442
Non-current assets	159,017	942,247
Total assets	<u>1,509,517</u>	<u>3,602,689</u>
Current liabilities	1,095,882	1,901,742
Non-current liabilities	29,722	29,030
Total liabilities	<u>1,125,604</u>	<u>1,930,772</u>
Net assets	<u>383,913</u>	<u>1,671,917</u>
Shareholders' equity		
Contributed equity	22,189,308	22,162,905
Reserves		
Accumulated Losses	<u>(21,805,395)</u>	<u>(20,490,988)</u>
	<u>383,913</u>	<u>1,671,917</u>
Profit (loss) for the year	<u>(1,314,407)</u>	<u>469,974</u>
Total comprehensive income/(loss)	<u>(1,314,407)</u>	<u>469,974</u>

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities at 30 June 2021 (30 June 2020: Nil).

NOTE 20 – Contingent liabilities

The consolidated entity did not have any contingent liabilities at 30 June 2021 (30 June 2020: Nil).

**AUS BIO LIMITED
AND CONTROLLED ENTITIES**

A.C.N. 091 858 114

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 10 to 28 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note: 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Robert Thomas AO- Chairman



Peter Jenkins – Executive Director

Melbourne
16 September 2021



Independent auditor's report

To the members of Aus Bio Limited

Our opinion

In our opinion:

The accompanying financial report of Aus Bio Limited (the Company) and its controlled entities (together 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
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$1,314,407 during the year ended 30 June 2021 and does not have any commercial projects which generate revenue. As a result, the Group is dependent on raising additional capital from new or existing shareholders, ongoing management of expenditure and positive outcomes related to the progress of research and development activities. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 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 on the other information that we obtained prior to the date of this auditor's report, 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material



if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. P. A

Jon Roberts
Partner

Melbourne
16 September 2021

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