

Dear Shareholder,

2021 Operational Review

On behalf of your Board we are pleased to present the 2021 Review of Operations and Corporate Governance Statement. A year ago we advised of the execution of a series of binding transactions, covering Aus Bio's Influenza Project's anti viral intellectual property, with a global early stage Bio-Technology investor, Morningside Venture Investments Limited (MVIL). This was for Aus Bio, a company defining event. That was certainly correct at that time. Unfortunately, the Joint Venture (JV) company that was established to hold the Influenza intellectual property – AusVir Therapeutics Pty Ltd (AVT) has not worked out as anticipated, due to events largely beyond our control. As a result the JV collaboration with MVIL is currently being wound down.

Dr Anthony Auidi a Morningside employee, was appointed General Manager of AVT in March 2020. He was assisted by other Morningside employees and consultants, to drive the Influenza Drug development program forward in both a timely and co-ordinated manner.

AVT subsequently contracted an internationally regarded clinical research organisation headquartered in Europe to both progress and continue the development of the Influenza assets. This further development involved a series of de-risking activities, confirmation of the selection of the lead influenza candidate to go forward and the synthesis and scale up of that lead candidate(s).

It had been anticipated that completion of de-risking activities and late lead optimization, including the development of a large scale up process for the synthesis and production of the influenza candidate would occur by 31 March 2021. To that end the AVT Board agreed unanimously in late March 2021 to recommend proceeding with both Lead Candidates MD378 & MD 379 as the two candidates for additional pre-clinical development work. A further recommendation from the AVT Board was to ask MVIL for an early draw down on Tranche 2a in April/May 2021 based on the progress made with MD 378 & 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 10 day and 30 day in-vivo prophylactic experiments were performed. The results of the 10 day prophylactic studies were highly satisfactory. However, the results from the 30 day studies did not replicate AB's previously highly promising prophylactic results performed at the University of Melbourne.

In August 2021 MVIL advised 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 anti-virals had altered. MVIL has subsequently agreed to work with AVT/AB to find a strategy to allow the parties to move forward.

Currently the management of the Influenza intellectual property assets are being transferred back to Aus Bio's patent attorney and in addition MVIL, AVT and Aus Bio are working towards an anticipated commercial solution to allow all parties to move forward.

1. Project MD990-Respiratory Anti-inflammatory

The Covid -19 Pandemic has resulted, for the moment, in the collapse of the influenza anti- viral market (approx..US \$800 million in 2018),secondary to the near complete absence of circulating influenza strains.

Fortunately we have continued to receive encouraging results from Aus Bio's Respiratory Project which aims to develop an additional and novel therapeutic to manage Chronic Obstructive Pulmonary Disease where the estimated market size (Research and Markets Dublin Aug 2021) is already US \$12 billion. The respiratory project relates specifically to the therapeutic use of Aus Bio's in- house developed MD 990 compounds which target certain respiratory disease states including chronic obstructive pulmonary disease (COPD). COPD is a major cause of chronic morbidity and mortality throughout the world. At present, it is the fourth leading cause of death worldwide. Nicotine smoking is the most common cause of COPD. Clinically, COPD is characterised by limitation of airflow, airways obstruction which is not fully reversible and lung fibrosis.

Over the past four years or so Aus Bio has contracted two Australian based Universities which have peer reviewed animal models of nicotine smoke induced COPD. Six experiments have now been completed over this time frame. The results from each have been encouraging especially the results from the sixth COPD Murine Smoking Experiment where dose dependent results from the Lead Candidate MD990-3 have been received. In addition two other disease states were targeted during the year – a Murine Model of Idiopathic Pulmonary Fibrosis has been completed and the results received to date are promising. Likewise an Acute Allergic Disease Model of Asthma is well under way and the results anticipated within the next three months.

“We still have to perform the histology in the chronic AAD model, but think there is enough evidence from the COPD and BLM models that MD990-3 is able to consistently induce anti-inflammatory and anti-fibrotic effects irrespective of disease aetiology. Lead Investigator Monash University – 3rd October 2021.

Financial Snapshot:

Aus Bio's operating loss for the year ending 30 June 2021 was \$1,314,404 (2020 Profit \$469,974) and net operating cash outflow was \$58,934 (2020 \$31,945).

As at 30 June 2021 Aus Bio had net assets of \$ 383,901 (2020 \$1,671,905). Available cash and cash equivalents at 30 June was \$1,034,471 (2020 \$1,093,405). AusBio has accumulated losses of \$21,805,407 (2020 \$20,491,000).

Aus Bio's anticipated cash at 31 December 2021 is ~\$ 400,000. This includes the anticipated receipt of a successful R&D Tax Incentive application of \$280,000. As noted in last year's Operational Review an equity raising will now be necessary in 2021/22 to ensure adequate funding for the company going forward and in particular the Respiratory Project.

Mr Peter Tasman Bartels AO

Mr Peter Bartels AO resigned from the Board on 30 June 2021. Mr Bartels has given exemplary service to the company and to shareholders over a period of 16 years including 8 years as Chairman. His vast business experience has been invaluable to Aus Bio. All at Aus Bio are grateful to Mr Bartels and wish him well in his retirement.

Scientific Advisory Panel and Corporate Governance

Scientific Advisory Panel

In prior years Professor Lorena Brown and Professor Stephen Locarnini, have provided valuable scientific advice to Aus Bio. Both are recognised internationally as outstanding virologists. With the transfer of the Influenza anti-viral intellectual property assets to AusVir Therapeutics, this formal consulting relationship was curtailed. However, both Professors Brown and Locarnini have from time to time when requested, provided pro bono advice to Aus Bio. This has been greatly appreciated by the senior management and the Company.

Corporate Governance:

In fulfilling the Company obligations and responsibilities to shareholders, Aus Bio's Board of Directors and employees are committed to the practise of the highest ethical and corporate governance standards.

The Board represents the interest of all shareholders and focuses on improving the Company's performance and outcomes and also ensures the Company is governed properly. An essential responsibility of the Directors is to oversee all Aus Bio's activities for the benefit of shareholders and to protect and enhance shareholder value.

Currently the Board consists of two non-executive directors and two executive directors. Directors are expected to bring independent views and judgement to the Board's deliberations. Board meetings are held on a regular basis. Research and Management reports are regularly prepared by senior management and distributed with board papers prior to each board meeting. The day-to-day management of the Company is carried out by the two executive directors, in consultation on a regular basis, with the Chair, and the other non-executive director.

The Board has certain responsibilities which include approving the strategic direction, the research and developmental objectives of the Company as well as the annual financial budget of Aus Bio. The Board monitors the implementation of these strategies and the achievement of the objectives, and budget. The Board is aware, and approves, of significant third party agreements. The Board is responsible for the issuing of shares, options and communication to shareholders, and approves and monitors capital expenditures and capital management.



Robert Thomas AO – Chairman



Peter Jenkins – Executive Director

21st October 2021