Half Year Financial Report
ended 31 December 2021

1. Company Details

Name of entity: Exopharm Limited
ACN: 163 765 991
Reporting period: For the half-year ended 31 December 2021
Previous period: For the half-year ended 31 December 2020

2. Results for announcement to the market

			$
Revenues from ordinary activities	up	to	53,260
Loss from ordinary activities after tax attributable to the owners of Exopharm Limited	up	29% to	(7,576,333)
Total comprehensive loss for the half-year attributable to the owners of Exopharm Limited	up	29% to	(7,571,484)

		31 Dec 2021 Cents	31 Dec 2020 Cents
Basic and diluted loss per share		(4.82)	(5.06)
Diluted loss per share		(4.82)	(5.06)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to $7,576,333 (31 December 2020: $5,866,942).

3. Net tangible assets

	Note	2021 $	2020 $
Net tangible assets per ordinary security		0.070	0.066

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:
Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

11. Attachments

Details of attachments (if any):
The Interim Financial Report of Exopharm Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed ______________________ Date: 25 February 2022

Dr Ian E Dixon
Managing Director & CEO
Exopharm Limited

Exopharm Limited

ACN 163 765 991

Half Year Financial Report ended 31 December 2021

Exopharm
Half Year Financial Report ended 31 December 2021

Contents

Corporate Directory

exopharm

ABN 78 163 765 991

Directors
Mr Jason Watson
Dr Ian E Dixon
Ms Elizabeth McGregor
Dr Jennifer King
(Appointed 1 September 2021)

Company secretaries
Ms Elizabeth McGregor
(Resigned on 30 September 2021)
Mr David Franks
(Appointed on 30 September 2021)

Registered office
C/o Bio101 Financial Advisory Pty Ltd
Suite 201 697 Burke Road
Camberwell VIC 3124

Principal place of business
Level 17, 31 Queen Street
Melbourne VIC 3000
Telephone: (03) 9111 0026
Email: info@exopharm.com

Share register
Automic Registry Services Pty Ltd
Level 5, 126 Philip Street
Sydney NSW 2010
Telephone: 1300 288 664
Email: hello@automic.com.au

Auditor
William Buck
Level 20, 181 William Street
Melbourne VIC 3000

Solicitors
Quinert Rodda & Associates
Level 6, 400 Collins Street
Melbourne VIC 3000

Stock exchange listing
Exopharm Limited shares are listed
on the Australian Securities Exchange
(ASX code: EX1)

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Exopharm Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were Directors of Exopharm Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Directors	Position
Mr Jason Watson	Non-Executive Chairman
Dr Ian Dixon	Managing Director & CEO
Ms Elizabeth McGregor	Non-Executive Director and Company Secretary *(Resigned as Company Secretary on 30 September 2021)*
Dr Jennifer King	Non-Executive Director *(Appointed 1 September 2021)*

Directors' Report

Review of Operations

Exopharm Limited (ASX:EX1) is at the forefront of transformative medicines using exosomes, or extracellular vesicles (EVs), and is pursuing a pipeline-driven platform strategy.

Exopharm is the only listed exosome company on the ASX, and one of only two exosome companies listed globally.

Exosomes can be loaded with a variety of active pharmaceutical ingredients (APIs) and can be targeted to selected cell and tissue types (tropism) – improving the safety profile of the APIs and providing better treatments.

Exosome delivery of DNA and other gene therapies into the nucleus of the patient's cells can improve treatment of inherited medical conditions. Exosomes can also be used to deliver small molecule drugs, mRNA and other modern medicines.

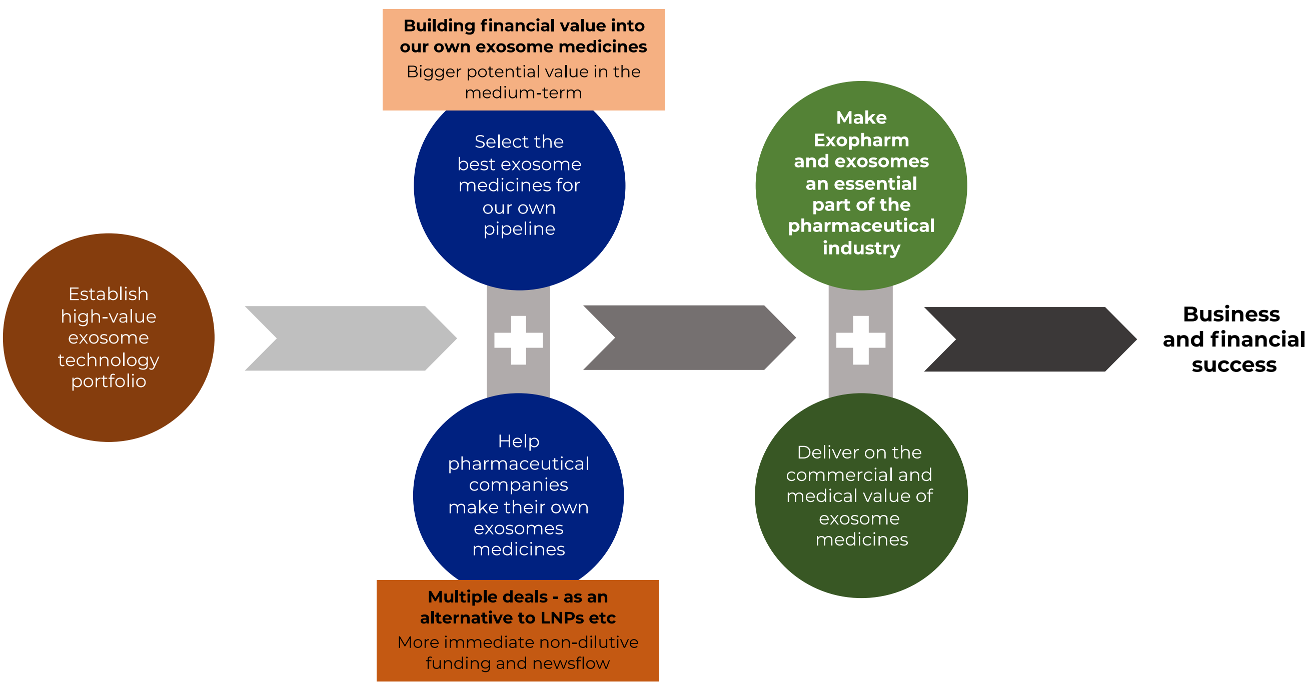
Exosomes are an alternative means of drug delivery inside the body, alongside technologies such as lipid nanoparticles (LNP), cell-penetrating peptides, viral vectors and liposomes. The drug delivery industry is growing at a compound annual growth rate (CAGR) of 5% and is currently valued at about US$175 billion ($233 billion)[1].

Exopharm's exosome technologies meet important needs for the success of exosome medicines – LEAP manufacturing technology, LOAD API loading and EVPS tropism.

Exopharm's suite of exosome technologies enables its own pipeline of exosome medicines – each aimed at delivering a transformative medicine for an unmet medical need.

Exopharm's intellectual property is also available under licences or partnerships to empower others to build their pipelines around the benefits of exosome medicines.

With interest growing in the field of exosome delivery of drug active ingredients, Exopharm is well-positioned to become an important part of the pharmaceutic industry.



[1] Pharma Formulations 2021 Track 12: Novel Drug Delivery Systems https://formulations.pharmaceuticalconferences.com/

Directors' Report

Principal Activities

The principal activities of Exopharm during the reporting period are:

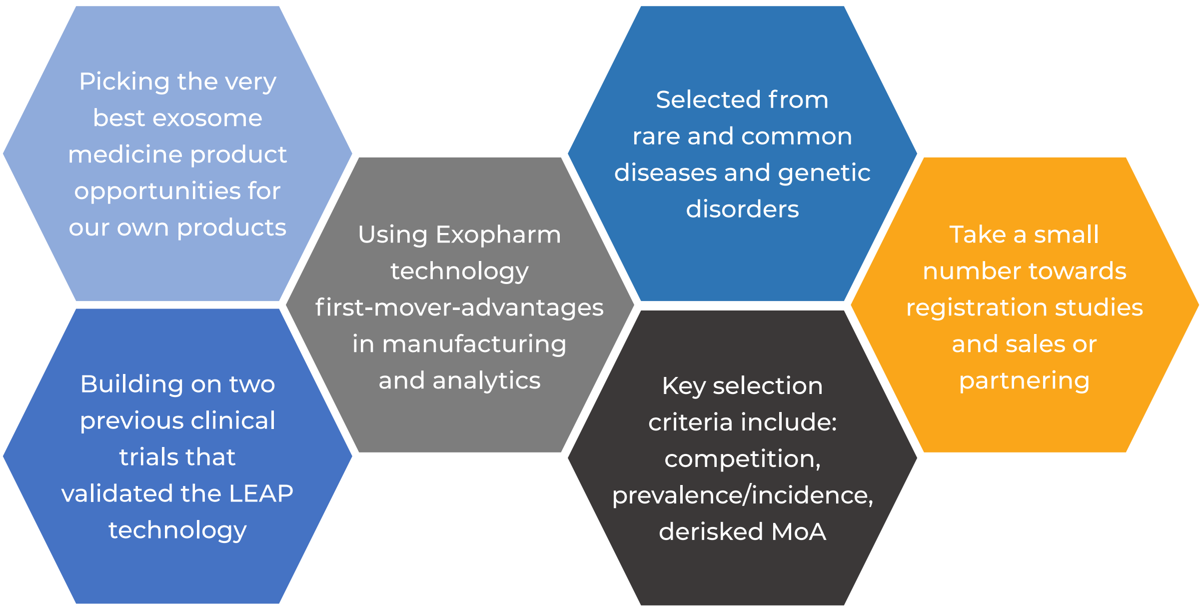
- Pipeline products analysis and selection;
- Technology development and validation; and
- Commercial collaborations

Significant progress has been made in each of these areas over the reporting period.

Pipeline Products – Analysis and Selection

Exopharm will take a small number of exosome medicines forward itself and towards registration studies.

Exopharm's Pipeline Products



Selection of Pipeline Products has gathered momentum in the reporting period.

Directors' Report

Technology Development

Exopharm's technologies could enable exosome medicines to become an essential part of the pharmaceutical industry for modern medicines.

- Exopharm is a pioneer in exosome technologies for commercial use - formed in 2013
- Granted patents, extensive IP portfolio and extensive know-how and application knowledge

During the reporting period the Exopharm team further developed the three core technologies.

LEAP	**Commercial-scale exosome purification capabilities** (US Patent 11,202,805)
EVPS	**Engineered exosomes for selective tissue targeting *(tissue tropism)***
LOAD	**API cargo loading for exodrug delivery**

During the reporting period Dr Mike West joined Exopharm in the new role of Chief Technology Officer (CTO).

Commercial Collaborations

Exopharm now has commercial collaborations with:

- Finnish Red Cross Blood Service
- Showa Denko
- Astellas Institute for Regenerative Medicine (AIRM)

Exopharm has appeal to potential partners:

- Exopharm is the only exosome company with proprietary patented commercial-scale exosome purification / manufacturing technology (LEAP technology) - US patent granted in December '21
- Exopharm is one of three exosome-focused companies with a suite of technologies and critical capabilities to enable exosome medicines

Exosomes have advantages over other drug delivery technologies:

- delivery into the cell nucleus ('cell HQ') or the cell cytoplasm
- reduced or nil immunogenicity – fully human / not synthetic
- crossing the blood-brain-barrier (BBB) – a natural feature
- repeated dosing, reduced toxicity
- targeted tissue delivery – the 'holy grail' of drug delivery
- can replace viral vectors and avoid their safety problems
- exosomes are ideal for DNA, gene editing and RNA delivery – 'Uber™ for modern medicines'

Directors' Report

Key Highlights from the Reporting Period

Exopharm is well-positioned to benefit from the adoption of exosomes as a drug delivery technology for modern medicines.

Value in exosomes is building now

- Exosomes for drug delivery could become an essential part of modern medicines over the next 10 years
- Modern medicines are the new frontier in the pharmaceutical industry
- Exopharm is at the forefront of exosome medicines

We have a clear growth strategy and ways to build near-term revenue

- Our own exosome medicine products taken to registration studies
- Revenue from technology and product partnering/licensing deals based upon our exosome technologies

We started in 2013 with a big idea

- Ignite Drug Development and Enable Modern Medicines by Harnessing Nature's Universal Delivery Architecture (exosomes)
- Enable improved delivery of DNA, gene editing and other APIs

Directors' Report

Key Highlights from the Reporting Period (continued)

Recently completed milestones:

- Technology research agreement signed with Showa Denko in September '21
- US patent granted for LEAP technology in December '21
- Ongoing partnership discussions at JP Morgan January '22
- Astellas Institute for Regenerative Medicine (AIRM) collaboration agreement for multiple technologies signed in January '22

People

The Exopharm team has been growing and changing, becoming more international, and improving on engaging with the pharmaceutical industry and the investment community.

The present Management Team is:

- Dr Ian Dixon [Founder & CEO] – Ian is an experienced inventor (two US patents granted in 2021), serial entrepreneur, technologist, biomedical engineering PhD (Monash University) and MBA. Exopharm was founded by Ian in 2013 and he funded it himself until listing in 2018 and has been a co-inventor of some of the main technologies. Ian is pushing to bring exosome medicines forward to solve real and important medical problems.
- David Oxley [President – International] – David joined Exopharm in August 2021 as President, International, and heads up our Partnering and Business Development activities as well as being a senior member of the executive team contributing to strategy, communications and vision. David brings deep experience and an extensive network in the international pharmaceutical, biotech and life sciences sectors. David completed his bachelors' studies in history at Portland State University and his master's studies in government and public health at Johns Hopkins University in the U.S.A. David is an evangelist for exosome medicines and sees them becoming an essential part of future medicines.
- Dr Johannes Mühl [Senior Vice President – Finance] – Johannes, based in Zurich, has a vast network in the international life-science industry from his various roles over 15 years, including as International Head of Finance and Business Insights at Myriad Genetics and finance roles at Pfizer and Zimmer Biomet. Johannes joined Exopharm in September 2021 and heads up the Pipeline Products Panel helping to shape Exopharm's pipeline products and associated strategy and finance. Johannes has a PhD, is a Fellow of the Institute of Public Accountants (FIPA) Australia and has a Diploma of International Business Administration. He is studying CAS: Biostatistics and Epidemiology. Johannes is helping us convert exosomes into financial outcomes.
- Dr Mike West [Chief Technology Officer] – Mike holds a PhD in Chemistry and graduate qualifications in law and management. He brings 23 years of industry experience in drug development of both pre-clinical and clinical assets. Mike has worked in big-Pharma and has had C-suite roles in several biotechnology companies, bringing a wealth of experience in technology management to Exopharm. Mike will drive technology and drug development at Exopharm, to reinforce our world leading reputation. Mike is also assisting in the selection of the pipeline products and will contribute to the development programs of those products.
- Daisy Scarborough [COO & Chief of Staff] Daisy joined in late 2021 with over 20 years of experience leading high performing teams, including at The Walt Disney Company. Daisy has an MBA from Melbourne Business School. Daisy's role as the Chief Operating Officer & Chief of Staff is to enable and support growth across the entire organisation to go-big and go-well into the future. Daisy brings new ways to improve outcomes and focus, and is a leader who creates vision, willing to push the boundaries of what might be possible to achieve brilliance.

Directors' Report

Key Highlights from the Reporting Period (continued)

Review of operating results and financial conditions for the period

The loss for the Group for the half year ended 31 December 2021 amounted to $7,576,333 (31 December 2020: $5,866,942).

The Group had cash in bank of $9,365,165 as at 31 December 2021 (30 June 2021: $12,723,581)

Research and Development Refund

During the half year, the Group received a Research and Development (R&D) Tax Incentive refund of $3,919,550 for the 2020-21 financial year.

Significant changes in the state of affairs

On 01 September 2021 the Company appointed Dr Jennifer King as an independent Non-executive Director.

On 01 September 2021 the Company issued 113,333 fully paid ordinary shares to Key Management Personnel following conversion of performance rights.

On 30 September 2021 the Company appointed Mr David Franks as Company Secretary.

Matters subsequent to the end of the financial half-year

On 1 January 2022, 463,334 Performance Rights issued to Key Management Personnel lapsed.

On 31 January 2022 the Company reported that Dr Christopher Baldwin had resigned from the company to further progress his career.

On 31 January Exopharm Limited signed a Master Collaborative Services Agreement (MSA) with the Astellas Institute for Regenerative Medicine (AIRM). Under the terms of the MSA, AIRM will pay Exopharm fees of up to US$481,000 over a period of around 15 months to demonstrate the effectiveness of Exopharm's LEAP, LOAD and EVPS technologies utilising AIRM's cell-based therapeutic technologies.

Other than above, no matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (Vic) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this directors' report for the half year ended 31 December 2021.

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

On behalf of the Directors

Signed ______________________ Date : 25 February 2022

Dr Ian E Dixon
Managing Director & CEO

Independent Auditor's Declaration

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF EXOPHARM LIMITED

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

C. L. Siddles

C. L. Siddles
Director

Dated this 25th day of February 2022

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Note	31 Dec 2021 $	31 Dec 2020 $
Income			
Interest income		2,868	3,095
Other revenue	3	50,392	50,000
Expenses			
Research and development		(2,201,370)	(1,870,545)
Employee costs		(3,839,818)	(2,510,356)
Corporate & Administration expenses		(1,588,405)	(1,539,136)
Loss before income tax expense		**(7,576,333)**	**(5,866,942)**
Income tax expense		–	–
Loss after income tax expense for the year attributable to the owners of Exopharm Limited		(7,576,333)	(5,866,942)
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss Foreign currency translation		4,849	–
Other comprehensive income for the half-year, net of tax		4,849	
Total comprehensive loss for the half-year attributable to the owners of Exopharm Limited		**(7,571,484)**	**(5,866,942)**

Earnings per share from continuing operations attributable to the owners of Exopharm Limited		Cents	Cents
Basic and diluted loss per share	4	(4.82)	(5.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 $	2020 $
Assets			
Current Assets			
Cash and cash equivalents		9,365,165	12,723,581
Other current assets	5	583,236	4,475,868
Total Current Assets		**9,948,401**	**17,199,449**
Non-current Assets			
Property, plant and equipment		2,420,781	2,123,465
Right-of-use assets	6	1,379,113	1,355,483
Intangibles assets		325,000	325,000
Security deposits		575,909	453,005
Total Non-current Assets		**4,700,803**	**4,256,953**
Total Assets		14,649,204	21,456,402
Liabilities			
Current Liabilities			
Accounts payable and other current liabilities	7	1,146,700	909,094
Lease liabilities	8	795,274	571,184
Employee benefits	9	777,692	288,341
Total Current Liabilities		**2,719,666**	**1,768,619**
Non-current Liabilities			
Lease liabilities	8	576,215	784,882
Employee benefits	9	39,392	36,345
Total Non-current Liabilities		**615,607**	**821,227**
Total Liabilities		**3,335,273**	**2,589,846**
Net Assets		**11,313,931**	**18,866,556**
Equity			
Issued capital	10	34,313,482	34,295,791
Reserves	11	783,129	777,112
Accumulated losses		(23,782,680)	(16,206,347)
Total Equity		**11,313,931**	**18,866,556**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	ISSUED CAPITAL $	SHARE BASED PAYMENT RESERVES $	ACCUMULATED LOSSES $	TOTAL EQUITY $
Balance at 1 July 2020	12,755,619	–	(7,738,301)	5,017,318
Loss after income tax expense for the half-year	–	–	(5,866,942)	(5,866,942)
Other comprehensive income for the half-year, net of tax	-	–	–	–
Total comprehensive loss for the half-year	–	–	(5,866,942)	(5,866,942)
Shares issued during the period	10,870,876	–	–	10,870,876
Share issue costs	(1,190,939)	–	–	(1,190,939)
Recognition of share-based payments	–	759,165	–	759,165
Balance at 31 December 2020	**22,435,556**	**759,165**	**(13,605,243)**	**9,589,478**

	ISSUED CAPITAL $	SHARE BASED PAYMENT RESERVES $	FOREIGN CURRENCY TRANSLATION RESERVES $	ACCUMULATED LOSSES $	TOTAL EQUITY $
Balance at 1 July 2021	34,295,791	777,112	–	(16,206,347)	18,866,556
Loss after income tax expense for the half-year	–	–	–	(7,576,333)	(7,576,333)
Other comprehensive income for the half-year, net of tax	–	–	4,849	–	4,849
Total comprehensive loss for the half-year	–	–	4,849	(7,576,333)	(7,571,484)
Transactions with owners in their capacity as owners					
Recognition of share-based payments	–	18,859	–	–	18,859
Vesting of options or rights that have been converted to ordinary shares	17,691	(17,691)	–	–	–
Balance at 31 December 2021	**34,313,482**	**778,280**	**4,849**	**(23,782,680)**	**11,313,931**

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Note	31 Dec 2021 $	31 Dec 2020 $
Cash flows from operating activities			
Payments to suppliers and employees		(6,252,749)	(4,766,397)
Interest received		3,769	3,095
Other revenue		20,392	–
Government grants and tax incentives		3,949,550	2,160,891
Net cash used in operating activities		**(2,279,038)**	**(2,602,411)**
Cash flows from investing activities			
Payments for property, plant and equipment		(614,471)	(994,118)
Payments for security deposits		(122,904)	–
Net cash used in investing activities		**(737,375)**	**(994,118)**
Cash flows from financing activities			
Proceeds from issue of shares	10	–	10,000,002
Share issue transaction costs		–	(120,000)
Interest and other finance costs paid		(31,381)	(21,886)
Repayment of lease liabilities		(312,061)	(150,107)
Net cash from financing activities		**(343,442)**	**9,708,009**
Net increase/(decrease) in cash and cash equivalents		(3,359,855)	6,111,480
Cash and cash equivalents at the beginning of the financial half-year		12,723,581	1,742,920
Effects of exchange rate changes on cash and cash equivalents		1,439	–
Cash and cash equivalents at the end of the financial half-year		**9,365,165**	**7,854,400**

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

Index to the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Note 1. Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'

Basis of Preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Share-based Payments Arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 11.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to maker conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Impairment of plant and equipment and intangible assets

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions

The entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model or Monte-Carlo Simulation, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 11 for further information.

New or Amended Accounting Standards and Interpretations Adopted

In the half year ended 31 December 2021, the Board has reviewed all new and revised standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to the Group and effective for the current reporting period.

The Board has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 31 December 2021.

As a result of these reviews the Board has determined no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Note 2. Operating Segments

The Group only operated in one segment, being regenerative medicine and biopharmaceutical drug development.

Note 3. Other Income

	31 Dec 2021 $	31 Dec 2020 $
Government incentives	30,000	50,000
Other income	20,392	–
	50,392	**50,000**

Note 4. Loss Per Share

	31 Dec 2021 $	31 Dec 2020 $
Loss after income tax attributable to the owners of Exopharm Limited	(7,576,333)	(5,866,942)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	157,173,548	116,016,871

	Cents	Cents
Basic and diluted loss per share	(4.82)	(5.06)

Options on issue have an anti-dilutive effect on loss per share and therefore options are not included in the calculation of diluted loss per share.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Note 5. Other Current Assets

	31 Dec 2021 $	30 Jun 2021 $
Current assets		
R&D tax incentive receivable	–	3,919,550
GST receivable	179,299	217,060
Prepayments	376,455	297,918
Other receivables	2,482	15,439
Advances to employees	25,000	25,000
Accrued interest receivable	–	901
	583,236	**4,475,868**

Research and development tax incentive was received in October 2021. At the reporting date, none of the receivables are past due or impaired.

Note 6. Right-of-use assets

	31 Dec 2021 $	30 Jun 2021 $
Non-current assets		
Land and building - right of use asset	1,982,708	1,626,580
Less: Accumulated depreciation	(603,595)	(271,097)
	1,379,113	**1,355,483**

Reconciliation

	31 Dec 2021 $	30 Jun 2021 $
Balance at beginning of reporting period	1,355,483	929,267
Termination of the lease	–	(749,409)
Lease inception	356,128	1,626,580
Depreciation for the reporting period	(332,498)	(450,955)
Carrying value at end of reporting period	**1,379,113**	**1,355,483**

Right-of-use assets relates to laboratory and corporate offices facilities leased by the Company. A security deposit amounting to $575,909 is held by Macquarie Bank as security for the facilities. This security deposit relates to the Company's major lease commitments at The Baker Institute, Melbourne. This lease is disclosed in the accounts as a Lease Liability. The Company entered a new lease agreement on 01 January 2021 that runs for an initial 3 year period and has a rent of circa $1,357,815. The lease was amended on 1 August 2021 and has annual rent circa $614,626 and associated outgoings of $167,900 per annum. The facility is used by the Company's research and development team and has extensive laboratory facilities that are used to run experiments, maintain cultures and execute the development program.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Note 7. Accounts Payable and Other Current Liabilities

	31 Dec 2021 $	30 Jun 2021 $
Current liabilities		
Trade payables	520,021	306,434
Accruals	75,959	150,297
Accrued payroll costs	-	44,191
Superannuation payable	134,738	-
PAYG payable	402,513	316,849
Other payables	13,469	91,323
	1,146,700	**909,094**

Note 8. Lease Liability

	31 Dec 2021 $	30 Jun 2021 $
Current liabilities		
Lease liabilities	795,274	571,184
Non-current liabilities		
Lease liabilities	576,215	784,882
	1,371,489	**1,356,066**

Note 9. Employee Benefits

	31 Dec 2021 $	30 Jun 2021 $
Current liabilities		
Employee benefits	777,692	288,341
Non-current liabilities		
Long service leave	39,392	36,345
	817,084	**324,686**

Included within employee benefits in the current half year period are benefits required to be paid in accordance with the Terms & Conditions of performance rights issued to Key Management Personnel.

Note 10. Issued Capital

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 $	30 Jun 2021 $
Ordinary shares - fully paid	157,211,533	157,098,200	34,313,482	34,295,791

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	157,098,200		34,295,791
Issue of shares Performance rights issued to KMP	1 September 2021	113,333	$0.156	17,691
Balance	**31 December 2021**	**157,211,533**		**34,313,482**

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Note 11. Reserves

	31 Dec 2021 $	30 Jun 2021 $
Share-based payments reserve		
Balance at beginning of reporting period	777,112	–
Recognition of share-based payments	18,859	1,357,347
Vesting of options or rights that have been converted to ordinary shares	(17,691)	(580,235)
	778,280	**777,112**

* Share-based payments: includes $18,859 relating to issuance of performance rights to Key Management Personnel.

Employee share option plan

Options or performance rights may be issued to employees, external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Performance rights cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

Each performance right issued converts into one ordinary share of Exopharm Limited on exercise. The performance rights carry neither rights to dividends nor voting rights. Performance rights may be exercised at any time from the date of vesting to the date of their expiry.

There were 350,000 performance rights issued to Key Management Personnel of the Company in two tranches as detailed below.

i) David Oxley - 350,000 Performance Rights

a) Tranche 1 Performance Rights – 175,000 performance rights to be issued for nil consideration, each entitling the holder to one ordinary share on vesting. The Tranche 1 Performance Rights will vest on 1 January 2022 if the following conditions are satisfied:

- The VWAP for a period of 20 consecutive trading days (on which the shares are traded) is at least $1.00 at any time between the issue date and 31 December 2021 (inclusive),
- Successful completion by David Oxley of probation period at 1 December 2021 as President – International for at least 3 days per week during that period, and
- Ongoing role as President – International for at least 3 days per week on 1st January 2022.

b) Tranche 2 Performance Rights – 175,000 performance rights to be issued for nil consideration, each entitling the holder to one ordinary share on vesting. The Tranche 2 Performance Rights will vest on 1 January 2022 if the following conditions are satisfied:

- The VWAP for a period of 20 consecutive trading days (on which the shares are traded) is at least $1.50 at any time between the issue date and 31 December 2021 (inclusive),
- Successful completion by David Oxley of probation period at 1 December 2021 as President – International for at least 3 days per week during that period, and
- Ongoing role as President – International for at least 3 days per week on 1st January 2022.

The fair value of the performance rights at grant date are determined using a Monte Carlo pricing method. The following table lists the inputs to the model used for valuation of the unlisted performance rights:

	Tranche I	Tranche II
Volatility (%)	80%	80%
Risk-free interest rate (%)	0.02%	0.02%
Exercise price ($)	nil	nil
Underlying security price at grant date	0.47	0.47
Expiry date	1 January 2022	1 January 2022
Value per performance right	0.0574	0.0094
Issue date	2 August 2021	2 August 2021

The fair value of performance rights granted to Key Management Personnel during the half-year ended 31 December 2021 is $11,690. The total share-based payment expense for the half-year ended 31 December 2021 is $18,859.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Note 12. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 13. Commitments and Contingencies

Commitments

As at 31 December 2021, the Group has no other material commitments except as disclosed below:

Altnia Royalty Deed Commitments

On 5 October 2018, the Company and Altnia Operations Pty Ltd (Altnia or Licensor) signed an Intellectual Property Assignment and License Termination Deed (the 'Deed'). As consideration for the assignment of the Assignment Rights, Exopharm must:

a. grant royalties to Altnia; and

b. provide the Reimbursement Payments to Altnia in accordance with Clause 7 of the Deed.

The Reimbursement Payments were fully paid during the 2019 year.

As at 31 December 2021, the Company is a party to a Royalty Deed with Altnia Operations Pty Ltd (a company owned by a KMP). As at 31 December 2021, the Company has the following financial commitments pursuant to the Royalty Deed:

a. Royalties on net sales – 3% of net sales;

b. License Royalty – 10% of license revenue

Lease Commitments

As at 31 December 2021, the Company has a number of short-term leases and has applied the optional exemption to not capitalise these leases and instead accounted for the lease expense on a straight-line basis over the lease term. Total expense for these short-term leases amounted to $75,142 as at 31 December 2021 (2020:$100,207). There were no commitments to these short-term leases as at 31 December 2021.

Capital Commitments

There are no capital commitments as at 31 December 2021.

Contingencies

The Group has no material contingent liabilities as at 31 December 2021 (31 December 2020: $nil).

Note 14. Events After the Reporting Period

On 1 January 2022, 463,334 Performance Rights issued to Key Management Personnel lapsed.

On 31 January 2022 the Company reported that Dr Christopher Baldwin had resigned from the company to further progress his career.

On 31 January Exopharm Limited signed a Master Collaborative Services Agreement (MSA) with the Astellas Institute for Regenerative Medicine (AIRM). Under the terms of the MSA, AIRM will pay Exopharm fees of up to US$481,000 over a period of around 15 months to demonstrate the effectiveness of Exopharm's LEAP, LOAD and EVPS technologies utilising AIRM's cell-based therapeutic technologies.

Other than above, no matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

In the opinion of the Directors of Exopharm Limited ('the Company'):

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Signed ______________________ Date: 25 February 2022

Dr Ian E Dixon
Managing Director & CEO

Independent Auditor's Review Report

For the half-year ended 31 December 2021

William Buck

Exopharm Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Exopharm Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Half-Year Financial Report

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

ACCOUNTANTS & ADVISORS
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Independent Auditor's Review Report

For the half-year ended 31 December 2021

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

C Siddles

C. L. Siddles
Director

Dated this 25th day of February 2022

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