

ANNUAL REPORT

30 JUNE 2021

Firebrick Pharma Limited
ABN 64 157 765 896
for the financial year ended 30 June 2021

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Directors

Peter Molloy
Stephen Goodall
Peter Kash
Phyllis Gardner

Company Secretary

Stephen Buckley

Registered Office and Principal Place of Business

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Auditor

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38 Station Street
PO Box 700
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Solicitor

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Level 23
459 Collins Street
Melbourne VIC 3000
Australia

Your Directors present their report, together with the financial statements of Firebrick Pharma Limited ("Company" or "Firebrick") for the financial year ended 30 June 2021.

DIRECTORS

The names of Directors in office at any time during and since the end of the year to the date of this report are:

Name	Status	Appointed
Peter Molloy	Executive Chairman and Chief Executive Officer	Appointed 12 April 2012
Stephen Goodall	Executive Director and Chief Operating Officer	Appointed 12 April 2012
Peter Kash	Non Executive Director	Appointed 17 February 2020
Phyllis Gardner	Non Executive Director	Appointed 13 November 2020

COMPANY SECRETARY

The following person held the position of Company Secretary during and since the end of the year to the date of this report:

Stephen Buckley	Appointed 4 December 2020
Ben Secrett	Appointed 17 August 2020, ceased 4 December 2020
Ashley Arnott	Appointed 23 September 2014, ceased 17 August 2020

PRINCIPAL ACTIVITIES

The principal activity for the Company during the year was the development and commercialisation of Nasodine, a broad-spectrum anti-viral spray, designed to be an effective treatment and prevention of respiratory viral infections such as the common cold.

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

Nasodine TGA review

On 25 July 2020, the Company received advice from TGA that the Nasodine registration dossier, which had been filed in May 2020, was targeted for completion of an initial review by 18 November 2020, but at that date, the Company was advised the review remained ongoing. In January 2021, the TGA advised they had completed their initial review and provided the Company with copies of the evaluators' reports on key aspects of the Nasodine dossier (labelling, manufacturing, nonclinical and clinical). Among those reports was the clinical evaluator's report that claimed that the Phase III trial data did not support approval as a treatment for the common cold which was considered a critical issue. The Company filed its responses to each report to TGA in early March 2021 and supplemented final manufacturing information on 10 June. As at 30 June 2021, Firebrick awaits formal advice from TGA on the approval status of Nasodine.

In anticipation of a potential rejection by TGA, during the year, Firebrick started planning a second Phase III study at CMAX in Adelaide, which would overcome the deficiencies identified by the clinical evaluator and if successful, would support approval. At 30 June 2021, that study had received HREC (ethics committee approval) and was ready to commence, but cannot do so until a clear decision is obtained from TGA. Indeed, given the waning winter cold season and ongoing delays from TGA, the trial, if needed, could not reasonably start before calendar 2022.

Initial Public Offering (IPO) plans

Between August and November 2020, and in anticipation of an outcome from TGA by 18 November, preparations commenced for a possible Initial Public Offering (IPO) on the Australian Securities Exchange (ASX), with the appointment of IPO legal advisors, auditors and the formation of a Due Diligence Committee (DDC). BDO was contracted to provide the Independent Accountant Report and IQVIA was engaged to provide the Market and Industry Overview for the prospectus. With the ongoing delays in receiving a clear decision from TGA, the IPO preparations remained on hold at 30 June 2021.

REVIEW OF OPERATIONS (CONTINUED)**Material contracts**

On 6 July 2020, the Company signed a binding term sheet with Adcock Ingram Critical Care (AICC) in South Africa, giving AICC exclusive distribution rights to Nasodine products in 50 countries in Africa in return for a 12% royalty on sales. The agreement has a term of 10 years, subject to sales performance, and provides AICC with a right to first negotiation on any new products developed by Firebrick outside the Nasodine range. On 2 December 2020, the Company executed an Exclusive Distribution Agreement with S.V. More Pharma Corporation (SVMP) under similar terms, for exclusive marketing of Nasodine in the Philippines. During the year, it became apparent that most countries will require a 'certificate of free sale' (FSC) from the country of origin (Australia), before registration processes can commence locally; accordingly, other international business development initiatives may be limited until TGA approval and the receipt of a FSC.

On 17 September 2020, the Company signed a 5-year exclusive manufacturing agreement with Probiotec, under which Probiotec will manufacture and supply all Firebrick's Nasodine requirements for the Australian and New Zealand markets, and at Firebrick's election, to international distributors.

On 10 November 2020, the Company executed an agreement with ESPL Regulatory Consulting to provide advice on the appropriate regulatory strategy for Nasodine in Europe.

Personnel

The Company Secretarial role saw several changes during the year. On 17 August 2020, Ashley Arnott resigned as Company Secretary and was replaced by Ben Secrett. On 4 December 2020, Ben Secrett resigned as Company Secretary, due to his taking on a full-time role elsewhere, and Stephen Buckley of Governance Corporate was appointed Company Secretary.

During the year and as approved by shareholders at the General Meeting on 27 August 2020, the Company commenced payment of monthly cash compensation to management, including Executive Directors, under individual consulting agreements. Total consulting fees paid to management and consultants during the year were \$601,721, equivalent to 21% of total operating expenses for the year. Also as approved at that General Meeting, on 15 October 2020, Firebrick Pharma Pty Ltd converted to a Public Company, Firebrick Pharma Limited.

On 13 November 2020, the Company appointed Dr Phyllis Gardner as Non-Executive Director. Dr Gardner is Professor of Medicine at Stanford University and is an accomplished scientist, entrepreneur and venture capitalist, and has been a director of many prominent public biotechnology companies in the United States. On 20 January 2021, 200,000 shares were issued to Dr Phyllis Gardner, pursuant to approvals granted by circular resolution of shareholders in December 2020.

In January 2021, Robyn Branigan was appointed Head of Marketing for Firebrick. Pursuant to the terms of the agreement and under the Company's Employee Option Plan, Ms Branigan received 420,000 share options in Firebrick that vest over 3 years, commencing 1 February 2021.

In February 2021, Liling Xie was appointed Head of Regulatory Affairs for Firebrick. Pursuant to the terms of the agreement and under the Company's Employee Option Plan, Ms Xie received 420,000 share options in Firebrick that vest over 3 years, commencing 1 April 2021.

In May 2021, Dr Jade Hsu was appointed Project Manager for new product development at Firebrick. Pursuant to the terms of the agreement and under the Company's Employee Option Plan, Dr Hsu received 180,000 share options in Firebrick that vest over 3 years, commencing 1 June 2021.

COVID-19 study

During the year, Firebrick sponsored a pilot clinical trial in South Africa to assess the impact of a single dose of Nasodine Nasal Spray on the shedding of SARS-CoV-2 from COVID-positive patients, over a one hour period after the Nasodine dosing. On 20 December 2020, the trial completed full recruitment of 15 patients and swab samples were analysed at PathWest in Perth for viable virus before and after dosing. The results showed that only 6 subjects had culturable 'live' virus in their nasal swab samples (all were the South African 'beta' variant), despite all 15 being COVID-positive by PCR. In the 6 subjects with live virus, the single application of Nasodine eliminated viral shedding immediately (measured at 5 minutes after the dose) for at least one hour in 2 cases, and reduced shedding in another 3. The results were compiled into a paper for publication which was submitted to a peer-reviewed journal in June 2021.

REVIEW OF OPERATIONS (CONTINUED)

During the year, the Company made the decision not to pursue COVID-19 as an indication for Nasodine because of the long clinical and regulatory process required and the likelihood that vaccines would diminish the medical need and/or significantly reduce available subjects for the needed trials.

Product development

During the year, the Company started development work, in conjunction with Probiotec, on a second range of povidone-iodine products, to complement the Nasodine range. The second range will be positioned for bacterial and fungal problems on the skin and body, and will be marketed under a new brand name, Xilodine. The Xilodine range may include several products, with the anchor product being an antibacterial body cleanser aimed at treating and preventing body odour. Based on estimated development and approval timelines, the Xilodine Body Cleanser could be launched late in 2022.

Patents

During the year, Nasodine common cold patent was granted in the US and Europe. The patents cover commercial claims that offer significant protection for Nasodine Nasal Spray through to 2035. The awarding of the US and EU patents is considered very important for Firebrick, because it validates the Firebrick invention and provides commercial protection against nasal povidone-iodine competitors in the world's two largest pharmaceutical markets.

Financial Review

The net loss for the year was \$2,439,039, with the major expense area being \$1,134,589 in R&D, including clinical trials (\$315k), research (\$291k) and regulatory expenses (\$199k). These R&D expenses were offset by \$510,286 received in R&D tax credits relating to R&D costs for the previous year. \$422,000 was accrued for tax credits expected to be received in FY22 for R&D costs in the FY21 year. Patent expenses of \$166,131 were incurred during the year and other significant expenses were consulting fees for management and consultants (\$601,721) and share based payments (\$534,834) pursuant to option grants. Excluding non-cash items, such as share based payments, the net cash outflow for the year from operations was \$1,936,103.

Funding

On 15 July 2020, the Series D Round of investment closed, having raised a total of \$3.200 million, with \$0.876 million from existing shareholders and \$2.324 million from investors who subscribed through Euroz under the 'Zero Nominees' shareholder account. As a result, during July 2020, a total of 6.4 million new shares and an equivalent number of options (priced at \$0.50 and with expiry of 30 June 2022) were issued to Series D investors. One million options were also issued to Euroz on the same terms by way of a fundraising incentive payment due under their mandate. All Series D options expire on 30 June 2022 or within 30 days of the Company's announcing that it intends to proceed to an IPO on the ASX.

At 30 June 2021, the Company had net assets of \$1,546,022, including \$1,151,751 in cash reserves.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The full impact of the COVID-19 pandemic continues to evolve at the date of this report. While it has not significantly impacted the entity up to 30 June 2021, the longer-term impacts on the Company cannot be fully determined at this time.

There are no other significant changes in the state of affairs for the financial year ended 30 June 2021.

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events or circumstances that have arisen since the date of this report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The outlook for Firebrick is very positive and FY22 promises to be an exciting year. The Company expects to know the outcome of the TGA review within Q1 of FY22 and thereafter to undertake its IPO on the ASX. With the appointment of a Head of Marketing and Head of Regulatory Affairs, the Company is well-placed to launch Nasodine in Australia as soon as the product is approved by TGA and to support international partners in gaining approval for Nasodine overseas.

INFORMATION ON DIRECTORS

Peter Molloy	Founder, Executive Chairman and Chief Executive Officer
Qualifications	BSc, MBA, FAICD, PhD
Experience	Peter Molloy trained as microbiologist and biochemist and subsequently built a successful career in the international pharmaceutical industry. At Pharmacia (Pfizer) he was Managing Director of Australia/NZ operations and later Vice President for Strategic Marketing, responsible for the marketing of hundreds of pharmaceuticals across 22 countries. During his pharmaceutical career, he has directly launched 23 new pharmaceutical products and executed 40 international licensing or distribution deals. Subsequently, as CEO of four biotech companies, he has led numerous R&D programs, moved several drugs from research into human clinical trials, and executed valuable international pharmaceutical partnerships including two \$100m+ licensing deals. In 2002-2005, he was CEO of one of the world's leading antiviral research companies, Biota Holdings Limited, where during his term the company's market value increased from \$30m to around \$300m. Between Nov 2015 and May 2020, he was founding CEO of Race Oncology Limited, which he listed on the ASX in 2016 at a valuation of \$12 million; at 30 June 2021, the company's valuation exceeded \$500 million. Notably, Dr Molloy was responsible for the creation and launch in Australia of Betadine Sore Throat Gargle, which has subsequently become a leading OTC product in Australia and the inspiration for the development of Nasodine.
Interest in Shares and Options at the date of this report	10,054,412 Ordinary Shares
Directorships held in other listed entities (last 3 years)	Race Oncology Ltd (resigned 20 May 2020)
Stephen Goodall	Founder, Executive Director and Chief Operating Officer
Qualifications	BAppSc, MAppSc, MBA, PhD
Experience	Stephen Goodall has a successful track record in intellectual property, pharmaceutical development, manufacturing, regulatory strategy and clinical development. He was instrumental in developing the intellectual property that underpins the Firebrick patent. Previously, he was Chief Operating Officer of Viralytics, which was later successfully acquired in 2018 for \$500 million by the US big pharma company, Merck. Previously, he was the Director of Pharmaceutical Development at Vapotronics, where he managed all aspects of inhaled drug development and formulation and before that, Director of Development at AGEN Biomedical for 11 years. He has extensive experience in the preclinical, IND, regulatory and human clinical phases of drug development. He also has an impressive background in process development, production scale-up and GMP manufacturing for pharmaceuticals. Dr Goodall is co-founder of Firebrick and co-inventor on all the key Firebrick patents.
Interest in Shares and Options at the date of this report	10,054,412 Ordinary Shares
Directorships held in other listed entities (last 3 years)	N/A

INFORMATION ON DIRECTORS (CONTINUED)

Peter Kash	Non-Executive Director
Qualifications	BSc, MBA, EdD
Experience	Peter Kash is a Board Member and the Company's global Business Advisor based in Florida. Peter Kash worked on Wall Street for 30 years and is a renowned biotech entrepreneur, who has raised at least US\$1 billion for private biotech companies and co-founded more than a dozen companies, which collectively have six FDA-approved drugs. He is currently a co-founder and Vice-Chairman of TargImmune Therapeutics, an oncology platform company in Switzerland. Dr Kash holds a BSc in Management Science, an MBA in Banking and International Finance and a Doctorate in Education. He has held Adjunct, Associate and Visiting Professorships at the Wharton School of Business, Hebrew University in Jerusalem and Nihon University in Tokyo, as well as lectured worldwide and authored and co-authored several books.
Interest in Shares and Options at the date of this report	931,836 Ordinary Shares
Directorships held in other listed entities (last 3 years)	N/A
Phyllis Gardner	Non-Executive Director
Qualifications	M.D
Experience	Phyllis Gardner is Professor of Medicine at Stanford University and is an accomplished scientist, entrepreneur and venture capitalist, and has been a director of many prominent public biotechnology companies in the United States.
Interest in Shares and Options at the date of this report	Nil
Directorships held in other listed entities (last 3 years)	N/A

MEETING OF DIRECTORS

During the financial year, there were 3 meetings of directors (nil committee meetings of directors) held. Two of the meetings were attended by all of the directors; the third meeting was attended by all of the directors except Peter Kash. In addition to the board meetings, decisions at Board of Directors ("Board") level were made via circular resolution of the Directors.

INDEMNIFYING OFFICERS AND AUDITORS

Indemnification

The Company indemnifies each of its Directors, Officers and Company Secretary. The Company indemnifies each Director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a Director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their provision of audit services.

OPTIONS

At the date of this report the unissued ordinary shares of the Company under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number of shares under option
1 January 2019	1 January 2024	\$0.02	600,000
31 March 2019	31 March 2024	\$0.02	300,000
30 April 2019	30 April 2024	\$0.02	240,000
31 August 2019	31 August 2024	\$0.02	120,000
13 March 2020	13 March 2025	\$0.03	363,000
21 March 2020	21 March 2025	\$0.03	600,000
1 September 2020	1 September 2025	\$0.075	60,000
15 July 2020	30 June 2022	\$0.50	7,508,824
1 February 2021	1 February 2026	\$0.07	420,000
1 April 2021	1 April 2026	\$0.065	420,000
1 April 2021	1 April 2026	\$0.065	120,000
1 April 2021	1 April 2026	\$0.065	60,000
1 June 2021	1 June 2026	\$0.05	180,000
			<u>10,991,824</u>

No options were exercised, expired, cancelled or forfeited during the year.

ENVIRONMENTAL REGULATIONS

The Company aims to comply with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known breaches of the environmental regulations.

NON-AUDIT SERVICES

There is no non-audit service provided during the financial year ended 30 June 2021.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2021 has been received and can be found on page 9 of the Annual Report.

ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/191 and accordingly amounts included in this report and in the financial report have been rounded off to the nearest \$1 (where rounding is applicable).

Signed in accordance with a resolution of the Board of Directors.

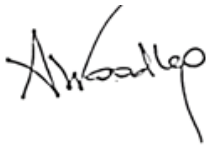


Dr Peter Molloy
Executive Chairman and Chief Executive Officer
19 August 2021

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF FIREBRICK PHARMA LIMITED

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

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Ashleigh Woodley
Director

BDO Audit (WA) Pty Ltd
Perth, 19 August 2021

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021



	Note	30-Jun-21 \$	30-Jun-20 \$
Interest income		759	524
Other income	2	422,000	508,977
Research and development expenses	2	(1,134,589)	(1,628,710)
Business development and marketing expenses	2	(233,922)	(19,382)
Consulting fees		(601,721)	-
Employee benefit expenses		(34,777)	-
Professional fees	2	(221,128)	(19,859)
Insurance expense		(17,115)	(18,489)
Rent expense		(10,670)	(461)
Administration and other expenses	2	(72,522)	(16,786)
Share based payments expense	16	(534,834)	(303,994)
Depreciation expense	10	(520)	(301)
Loss before income tax		(2,439,039)	(1,498,481)
Income tax expense		-	-
Loss for the year after income tax		(2,439,039)	(1,498,481)
Other comprehensive income/(loss)			-
Total comprehensive loss for the year		(2,439,039)	(1,498,481)
Basic loss per share (cents per share)	6	(6.62)	(4.95)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021



	Note	30-Jun-21 \$	30-Jun-20 \$
CURRENT ASSETS			
Cash and cash equivalents	7a	1,151,751	92,704
Trade and other receivables	8	503,136	560,575
Other assets	9	13,684	931
TOTAL CURRENT ASSETS		1,668,571	654,210
NON-CURRENT ASSETS			
Other assets	9	76,100	-
Plant and equipment	10	16,151	604
TOTAL NON-CURRENT ASSETS		92,251	604
TOTAL ASSETS		1,760,822	654,814
CURRENT LIABILITIES			
Trade and other payables	11	138,700	209,804
Provision	12	76,100	-
TOTAL CURRENT LIABILITIES		214,800	209,804
NON-CURRENT LIABILITIES			
Loan from shareholders	13	-	54,412
TOTAL NON-CURRENT LIABILITIES		-	54,412
TOTAL LIABILITIES		214,800	264,216
NET ASSETS		1,546,022	390,598
SHAREHOLDERS' EQUITY			
Issued capital	14	5,773,897	2,655,268
Reserve	15	805,915	330,081
Accumulated losses		(5,033,790)	(2,594,751)
TOTAL SHAREHOLDERS' EQUITY		1,546,022	390,598

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY



AS AT 30 JUNE 2021

	Issued Capital	Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2019	2,085,018	90,087	(1,096,270)	1,078,835
Loss for the year	-	-	(1,498,481)	(1,498,481)
Total comprehensive loss for the year	-	-	(1,498,481)	(1,498,481)
Transactions with owners, recognised directly in equity				
Equity issued during the year (net of costs)	413,750	-	-	413,750
Shares applied for but unissued at 30 June 2020	92,500	-	-	92,500
Share based payments	64,000	239,994	-	303,994
Balance at 30 June 2020	2,655,268	330,081	(2,594,751)	390,598
Loss for the year	-	-	(2,439,039)	(2,439,039)
Total comprehensive loss for the year	-	-	(2,439,039)	(2,439,039)
Transactions with owners, recognised directly in equity				
Equity issued during the year (net of costs)	3,034,629	-	-	3,034,629
Share based payments	84,000	475,834	-	559,834
Balance at 30 June 2021	5,773,897	805,915	(5,033,790)	1,546,022

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS



FOR THE YEAR ENDED 30 JUNE 2021

	Note	30-Jun-21 \$	30-Jun-20 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for research and development		(1,316,248)	(1,384,128)
Payments for business development and marketing		(220,806)	-
Payments to suppliers and employees		(910,093)	(44,686)
Interest received		759	524
Research and development tax refund received		510,285	443,282
Net cash used in operating activities	7b	(1,936,103)	(985,008)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment	10	(16,067)	-
Net cash used in investing activities		(16,067)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,127,588	500,250
Capital raising costs		(116,371)	-
Net cash provided by financing activities		3,011,217	500,250
Net increase/(decrease) in cash and cash equivalents		1,059,047	(484,758)
Cash and cash equivalents at the beginning of the financial year		92,704	577,462
Cash and cash equivalents at the end of the financial year	7a	1,151,751	92,704

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

These financial statements cover Firebrick Pharma Limited ("Company" or "Firebrick"). Firebrick Pharma Limited is a company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity.

The financial statements were issued by the board of directors on 19 August 2021 by the directors of the Company.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standard Board (AASB) and the *Corporations Act 2001*.

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

b) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company'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 1(q).

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a net loss of \$2,439,039 and experienced net cash outflows from operations of \$1,936,103 for the year ended 30 June 2021. The Company has liabilities of \$214,800 and cash on hand of \$1,151,751 as at 30 June 2021.

The ability of the Company to continue as a going concern is dependent upon the success of future fundraisings and/or sales. This requirement gives rise to a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and therefore that it will be able to realise its assets and discharge its liabilities in the normal course of business, and at the amount stated in the financial report.

The directors believe that the Company will continue as a going concern for the following reasons:

- The Company plans to undertake an Initial Public Offering to raise \$5,000,000 - \$7,500,000 (before costs) under a prospectus expected to be issued in the coming months.
- The Company has on issue 7,508,824 Series D options exercisable at \$0.50 on or before 30 June 2022. The decision to proceed to IPO triggers conversion of these options within 30 days of an announcement being made to shareholders. It is the directors' expectation that the majority of these options will be exercised resulting in a capital injection of up to \$3,700,000 within six months from the date of this report.
- Should Nasodine be approved and launched in 2021 as expected, then the Company will generate revenues from sales.
- The Company expects an RDTI rebate of approximately \$422,000 within the next 3 months.
- In the event that the above do not occur or are delayed or insufficient to cover operating expenses, the Company has historically demonstrated its ability to raise new equity funds to satisfy its immediate cash requirements and would consider all funding options as required.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accordingly, the directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis for the preparation of the financial report. Should the Company not achieve the matters as set out above, there is material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

c) Adoption of New and Amended Accounting Standards

The Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2020. It has been determined by the Company that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies. No retrospective changes in accounting policy of material reclassification has occurred during the year.

d) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable.

Research and Development (R&D) Tax Incentive

R&D tax incentives from the government are recognised when received or when the right to receive payment is established.

e) Income Tax

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

f) Financial Instruments*Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Company manages the financial assets and the contractual terms of the cash flows. At year end, all of the Company's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

The Company assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

g) Impairment of non-financial assets

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

i) Trade and other receivables

Trade receivables and other receivables, including distribution receivables, are recognised at the nominal transaction value without taking into account the time value of money. If required a provision for doubtful has been created.

j) Plant and Equipment

Plant and equipment is carried at cost. All assets are depreciated over their useful lives to the Company.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of what is recoverable from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**k) Depreciation**

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Computers – 3 years
- Laboratory equipment – 3 – 7 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

l) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST receivable from or payable to the ATO is included within other receivables or other payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

m) Trade and other payables

Liabilities for trade creditors and other amounts carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

n) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The option reserve records the value of share-based payments.

o) Share Based Payments

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**p) Earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

q) Critical Accounting Estimates and Judgements

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

Key Estimates and judgements***Share based payments***

Share based payments are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of options is calculated using the Black-Scholes option pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period based on the number of equity instruments that may eventually vest. The corresponding amount for options recorded to the options reserve. Details of share-based payment assumptions can be found on at Note 16.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Company operates. There were no significant impacts upon the financial statements or any significant uncertainties with respect to events or conditions which may have impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTE 2: LOSS FOR THE YEAR

	30 June 2021 \$	30 June 2020 \$
Other income		
- R&D Tax Rebate	422,000	508,977
Research and development expenses		
- Contract project expense	968,458	1,497,076
- Patent expense	166,131	131,634
	1,134,589	1,628,710
Business development and marketing expenses		
- Legal expenses	89,081	-
- Market research	76,305	-
- Advertising and promotion	65,036	-
- Other	3,500	19,382
	233,922	19,382
Professional fees		
- Accounting, audit and taxation fees	129,874	6,000
- Legal and company secretarial fees	91,254	13,859
	221,128	19,859
Administration and other expenses		
- Recruitment expenses	32,034	-
- Computing and IT expenses	16,833	-
- Other expenses	9,935	2,239
- Printing, stationery, and postage expense	7,492	3,478
- Subscription expense	4,774	4,192
- Travel expense	928	4,466
- Entertainment expense	526	1,146
- Administration expense	-	1,265
	72,522	16,786

NOTE 3: INCOME TAX**30 June 2021****30 June 2020**

\$

\$

NOTE 3a: INCOME TAX EXPENSE/(BENEFIT)

Current tax

-

-

Deferred tax

-

-

NOTE 3b: RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss

(2,439,039)

(1,498,481)

Australian tax rate

30%

30%

Tax amount at the Australian tax rate

(731,712)

(449,544)

Non-deductible items

Share based payments

160,450

91,198

Research and development expenditure

291,137

351,921

Blackhole expenditure

(8,482)

-

Other non-deductible expenses

158

18,109

Non-assessable income

(126,600)

(152,693)

Deferred tax asset not brought to account

415,049

141,009

Income tax attributable to operating loss

-

-

NOTE 3c: DEFERRED TAX ASSETS/(LIABILITIES)

Tax losses

576,910

212,091

Blackhole expenditure

21,380

-

Other

30,650

1,800

Total deferred tax asset

628,940

213,981

Set-off of deferred tax liabilities

-

-

Less: deferred tax assets not recognised

(628,940)

(213,981)

Net deferred tax assets

-

-

NOTE 3d: TAX LOSSES

Unused tax losses for which no deferred tax asset has been recognised

1,923,032

706,970

Potential tax benefit at 30% (2020: 30%)

576,910

212,091

The benefit for tax losses will only be obtained if:

- (a) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) The Company continues to comply with the conditions for deductibility imposed by law; and
- (c) No changes in tax legislation adversely affect the ability of the Company to realise these benefits.

NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION

The total of remuneration paid to Directors and Key Management Personnel of Firebrick Pharma during the year are as follows:

	30 June 2021	30 June 2020
	\$	\$
Short-term fees	265,000	-
Share based payments	84,000	64,000
Total KMP Compensation	349,000	64,000

Share based payments

On 20 January 2021 the Company issued 200,000 Restricted Shares to Dr Phyllis Gardner in lieu of directors' fees. On 17 February 2020 the Company issued 200,000 Restricted Shares to Dr Peter Kash in lieu of directors' fees. Refer to Note 16 for further details.

Loans from/to KMP and their related parties

In 2015, the Company received two zero-interest loans from Directors Messrs Molloy and Goodall. In July 2020, under the Series D round, the Company issued 54,412 Shares each to Directors Drs Molloy and Goodall in settlement for loan funds contributed by the two founders to support patent costs in 2015. The two Directors also each received 54,412 Options on Shares exercisable at \$0.50 on or before 30 June 2022 in line with and on the same terms as all other Series D investors.

There were no loans made to KMP and their related parties during the financial year.

Other transactions and balances with KMP and their related parties

There were no other transactions and balances with KMP and their related parties during the financial year.

NOTE 5: AUDITOR'S REMUNERATION

	30 June 2021	30 June 2020
	\$	\$
During the year the following fees were paid or payable for services provided by the auditor of the Company		
Remuneration of the auditor of the Company		
- Audit or review of the financial reports for the years ending 30 June 2021, 2020 and 2019	59,790	-
	59,790	-

NOTE 6: EARNINGS/(LOSS) PER SHARE

	30 June 2021	30 June 2020
	\$	\$
Earnings/(loss) per share ("EPS")		
a) (Loss) used in calculation of basic EPS and diluted EPS	(2,439,039)	(1,498,481)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings/(loss) per share	36,833,776	30,258,350

NOTE 7: CASH AND CASH EQUIVALENTS**30 June 2021****30 June 2020**

\$

\$

NOTE 7a: CASH AND CASH EQUIVALENTS

Cash at bank

1,151,751

92,704

1,151,751**92,704****NOTE 7b: CASH FLOW INFORMATION**

Loss after income tax

(2,439,039)

(1,498,481)

Non-cash flows in loss after income tax

Share based payments expense

534,834

303,994

Depreciation expense

520

301

Changes in assets and liabilities

(Increase)/Decrease in trade and other receivables

51,438

(52,232)

(Increase)/Decrease in other assets

(12,752)

94,805

Increase/(Decrease) in trade and other payables

(71,104)

166,605

Cash flows used in operating activities

(1,936,103)**(985,008)****Credit Standby Facilities**

The Company has no credit standby facilities.

Non-Cash Investing and Financing Activities

In 2015, the Company received two zero-interest loans from Directors Messrs Molloy and Goodall. In July 2020, under the Series D round, the Company issued 54,412 Shares each to Directors Drs Molloy and Goodall in settlement for loan funds contributed by the two founders to support patent costs in 2015. The two Directors also each received 54,412 Options on Shares exercisable at \$0.50 on or before 30 June 2022 in line with and on the same terms as all other Series D investors. There were no other non-cash investing and financing activities during the year.

NOTE 8: TRADE AND OTHER RECEIVABLES**30 June 2021****30 June 2020**

\$

\$

CURRENT

Research and development tax incentive refund

422,000

510,286

Goods and services tax

81,136

44,289

Other receivables

-

6,000

503,136**560,575**

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value. All receivables are expected to be recovered in full.

NOTE 9: OTHER ASSETS**30 June 2021****30 June 2020**

\$

\$

CURRENT

Deposits

10,706

-

Prepayments

2,978

931

13,684**931**

NOTE 9: OTHER ASSETS (CONTINUED)**NON-CURRENT**

Deposits (refer to Note 12)

30 June 2021	30 June 2020
\$	\$
76,100	-
76,100	-

NOTE 10: PLANT AND EQUIPMENT

Cost

Accumulated depreciation

Net carrying amount

30 June 2021	30 June 2020
\$	\$
20,197	4,130
(4,046)	(3,526)
16,151	604

Movement during the year:

Balance at the start of the year

Additions

Depreciation expense

Net carrying amount

604	905
16,067	-
(520)	(301)
16,151	604

NOTE 11: TRADE AND OTHER PAYABLES**CURRENT**

Trade payables

Accruals

Other payables

30 June 2021	30 June 2020
\$	\$
34,659	203,804
101,029	6,000
3,012	-
138,700	209,804

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value.

NOTE 12: PROVISION**CURRENT**

Other provision

30 June 2021	30 June 2020
\$	\$
76,100	-
76,100	-

The Company's other provision relates to a binding tooling investment commitment arising under a vendor supply agreement whereby the Company has an obligation to pay cash it cannot avoid. The cash obligation is expected to be settled by the end of March 2022, when the final volume of tooling units produced is known.

NOTE 13: LOAN FROM SHAREHOLDERS

	30 June 2021	30 June 2020
	\$	\$
Shareholder loan	-	54,412
	-	54,412

In 2015, the Company received two zero-interest loans from Directors Messrs Molloy and Goodall. In July 2020, under the Series D round, the Company issued 54,412 Shares each to Directors Drs Molloy and Goodall in settlement for loan funds contributed by the two founders to support patent costs in 2015. The two Directors also each received 54,412 Options on Shares exercisable at \$0.50 on or before 30 June 2022 in line with and on the same terms as all other Series D investors.

NOTE 14: ISSUED CAPITAL

(a) Movements in fully paid Ordinary Capital	30 June 2021	30 June 2020
	\$	\$
Opening balance	2,655,268	2,085,018
Shares issued during the year	3,260,000	477,750
Shares applied for at 30 June 2020, issued July 2020	-	92,500
Less: capital raising costs	(141,371)	-
Closing balance	5,773,897	2,655,268

The Company has issued share capital amounting to 37,214,735 (2020: 30,464,734) ordinary shares.

(b) Movements in fully paid Ordinary Capital	30 June 2021	30 June 2020
	No.	No.
At beginning of year	30,464,734	27,431,734
Shares issued during the year	6,750,001	3,033,000
	37,214,735	30,464,734

Capital Management

Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet due diligence programs and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

NOTE 15: RESERVES	Note	30 June 2021	30 June 2020
		\$	\$
Opening balance		330,081	90,087
Share based payments	16	475,834	239,994
		805,915	330,081

NOTE 16: SHARE BASED PAYMENTS**Shares issued as share based payments - 2021**

On 20 January 2021 the Company issued 200,000 Restricted Shares to Dr Phyllis Gardner in lieu of directors' fees at a purchase price per share of \$0.08 under the Restricted Shares Purchase Agreement. The amount paid for the shares totalled \$16,000. The shares have been valued at \$0.50 which is the fair market value at the date of the issue. During the year ended 30 June 2021 a share-based payment expense of \$84,000 was recognised, representing the difference between the fair value of these shares and the consideration paid.

Shares issued as share based payments - 2020

On 17 February 2020 the Company issued 200,000 Restricted Shares to Dr Peter Kash in lieu of directors' fees at a purchase price per share of \$0.03 under the Restricted Shares Purchase Agreement. The payable amount for the shares was \$6,000. The shares have been valued at \$0.35 which is the market value at the date of the issue. During the year ended 30 June 2020 as share-based payment expenses of \$64,000 was recognised, representing the difference between the fair value of these shares and the consideration paid.

Options issued in prior periods

Options issued in prior periods that impact the year ended 30 June 2021 are as follows:

Optionholder	Grant Date	Last Vesting Date	Expiry Date	Exercise Price	Vesting Condition	Number on Issue at 30 June 2020	Expense recorded for the year ended 30 June 2021 \$
Linda Friedland	1 Jan 19	31 Dec 21	1 Jan 24	\$0.02	(i)	600,000	21,743
Peter Friedland	31 Mar 19	30 Mar 22	31 Mar 24	\$0.02	(i)	300,000	14,071
Ashley Arnott	30 Apr 19	29 Apr 22	30 Apr 24	\$0.02	(i)	120,000	6,539
Jon Cuthbert	30 Apr 19	29 Apr 22	30 Apr 24	\$0.02	(i)	120,000	6,539
Bill Pickering	31 Aug 19	30 Aug 22	31 Aug 24	\$0.02	(i)	120,000	15,461
Jon Cuthbert	13 Mar 20	13 Mar 23	13 Mar 25	\$0.03	(i)	63,000	13,223
Peter Friedland	13 Mar 20	13 Mar 23	13 Mar 25	\$0.03	(i)	300,000	62,969
Simon Tucker	21 Mar 20	21 Mar 23	21 Mar 25	\$0.03	(i)	600,000	128,013
Total						2,223,000	268,558

(i) Options vest quarterly in equal tranches over 36 months. Options have been valued at grant date and expensed over the vesting period.

Details of share-based payment arrangement entered into during the year ended 30 June 2021

During the year ended 30 June 2021 the Company recorded the following share based payments:

- On 15 July 2020 the Company issued 1,000,000 Options exercisable at \$0.50 as consideration for services provided by Euroz Securities Limited under the private placement mandate. The options expire on the earliest of:
 - 30 June 2022;
 - 30 days after the Company notifies Optionholders that Nasodine has received TGA marketing approval in Australia;
 - 30 days after the Company notifies Optionholders that the Company's board has resolved to proceed with an IPO;
 - or 30 days after the Company has notified Optionholders that an agreement has been entered into with a third party to acquire all or the majority of the shares in the Company.

A share based payment expense of \$25,000 has been recorded as a capital raising cost in relation to these options at 30 June 2021, based on the fair value of services rendered.

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

- On 1 September 2020 the Company issued 60,000 Options exercisable at \$0.075 expiring on or before 1 September 2025 to Dr William Pickering under the Company's Employee Option Plan. 5,000 options vest per quarter over a period of 36 months. The Options have been valued at grant date and expensed over the 36 month vesting period. A share based payment expense of \$20,935 has been recorded in relation to these options at 30 June 2021.
- On 1 February 2021 the Company issued 420,000 Options exercisable at \$0.07 expiring on or before 1 February 2026 to Robyn Branigan under the Company's Employee Option Plan. 35,000 options vest per quarter over a period of 36 months. The Options have been valued at grant date and expensed over the 36 month vesting period. A share based payment expense of \$83,646 has been recorded in relation to these options at 30 June 2021.
- On 1 April 2021 the Company issued 420,000 Options exercisable at \$0.065 expiring on or before 1 April 2026 to Liling Xie under the Company's Employee Option Plan. 35,000 options vest per quarter over a period of 36 months. The Options have been valued at grant date and expensed over the 36 month vesting period. A share based payment expense of \$49,444 has been recorded in relation to these options at 30 June 2021.
- On 1 April 2021 the Company issued 120,000 Options exercisable at \$0.065 expiring on or before 1 April 2026 to Stephen Buckley under the Company's Employee Option Plan. 10,000 options vest per quarter over a period of 36 months. The Options have been valued at grant date and expensed over the 36 month vesting period. A share based payment expense of \$14,127 has been recorded in relation to these options at 30 June 2021.
- On 1 April 2021 the Company issued 60,000 Options exercisable at \$0.065 expiring on or before 1 April 2026 to Anna Noiman under the Company's Employee Option Plan. 5,000 options vest per quarter over a period of 36 months. The Options have been valued at grant date and expensed over the 36 month vesting period. A share based payment expense of \$7,063 has been recorded in relation to these options at 30 June 2021.
- On 1 June 2021 the Company issued 180,000 Options exercisable at \$0.05 expiring on or before 1 June 2026 to Jade Hsu under the Company's Employee Option Plan. 15,000 options vest per quarter over a period of 36 months. The Options have been valued at grant date and expensed over the 36 month vesting period. A share based payment expense of \$7,061 has been recorded in relation to these options at 30 June 2021.

Where the fair value of services rendered during the year could not be reliably measured, these are measured by reference to the fair value of equity instruments granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The Black Scholes inputs and valuations were as follows:

	W Pickering	R Branigan	L Xie	S Buckley	A Noiman	J Hsu
Exercise price	\$0.075	\$0.07	\$0.065	\$0.065	\$0.065	\$0.05
Share price at grant date	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Grant date	1 Sep 20	1 Feb 21	1 Apr 21	1 Apr 21	1 Apr 21	1 Jun 21
Expected volatility	100%	100%	100%	100%	100%	100%
Expiry date	1 Sep 25	1 Feb 26	1 Apr 26	1 Apr 26	1 Apr 26	1 Jun 26
Risk free interest rate	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%
Quantity	60,000	420,000	420,000	120,000	60,000	180,000
Value per option	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46	\$0.47
Total value of instrument	\$27,546	\$193,200	\$193,200	\$55,200	\$27,600	\$84,600
30 June 2021 expense	\$20,935	\$83,646	\$49,444	\$14,127	\$7,063	\$7,061

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)**Share based payment expense**

Share based payment expense is comprised as follows:

	30 June 2021	30 June 2020
	\$	\$
Share-based payment expense – shares	84,000	64,000
Share-based payment expense – options	475,834	239,994
Total share-based payment expense	559,834	303,994
		-

Share based payment expense has been recognised as follows:

	30 June 2021	30 June 2020
	\$	\$
Profit or loss	534,834	303,994
Equity	25,000	-
Total share-based payment expense	559,834	303,994

NOTE 17: OPERATING SEGMENTS**Segment Information****Identification of reportable segments**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The financial information presented to the chief operating decision maker is consistent with that presented in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

NOTE 18: FINANCIAL INSTRUMENTS**Financial Risk Management Policies**

The Company's financial instruments consist mainly of deposits with banks, trade and other debtors, and trade and other payables. The main purpose of non-derivative financial instruments is to raise finance for the Company's operations.

Specific Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest Rate Risk

From time to time the Company has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Company's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future. The exposure to interest rates arises from cash and cash equivalents.

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is not considered to be material.

(b) Credit risk

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

NOTE 18: FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk relates to balances with banks and other financial institutions and trade and other receivables, and is managed by the Company in accordance with approved Board policy. The following table provides information regarding the credit risk relating to cash and cash equivalents based on Standard and Poor's counterparty credit ratings.

	Note	30 June 2021 \$	30 June 2020 \$
Cash and cash equivalents – AA Rated	7a	1,151,751	92,704
		1,151,751	92,704

(c) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities based on the actual rates at the reporting date excluding interest payments:

2021	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		\$	\$	\$	\$	\$	\$	\$

Financial liabilities at amortised cost

Trade and other payables	138,700	-	-	-	-	-	138,700	138,700
Provision	-	76,100					76,100	76,100
	138,700	76,100	-	-	-	-	214,800	214,800

2020	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		\$	\$	\$	\$	\$	\$	\$

Financial liabilities at amortised cost

Trade and other payables	209,803	-	-	-	-	-	209,803	209,803
	209,803	-	-	-	-	-	209,803	209,803

(d) Net fair Value of financial assets and liabilities**Fair value estimation**

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

NOTE 19: COMMITMENTS

The Company has a commitment in respect of a supply agreement with one of its vendors. The vendor has customised a tool for Nasodine bottle production for which the Company has not been charged at 30 June 2021. The cost of the tool is to be amortised at a rate of \$0.06 per bottle over the first one million bottles supplied.

There are no other commitments as at the end of the reporting period (2020: nil).

NOTE 20: CONTINGENT LIABILITIES

A liability exists with respect to the Company's future obligations to FFD LLC ("FFD").

Under an agreement with FFD, where FFD has made an Introduction to a prospective distribution or licensing partner for Nasodine, and that partner executes a binding agreement with Firebrick to distribute Nasodine (Distribution Agreement), then Firebrick has the obligation to pay FFD a share of Firebrick Revenues it receives from that distributor while the agreement remains on foot as follows:

- a) In each country where a Distribution Agreement has been executed following an Introduction by FFD, Firebrick agrees to the following fees to be paid to FFD:
 - i. Where Firebrick owns a granted patent in the country related to the Product, then Firebrick will pay FFD a fee ("FFD Fee") equivalent to 10% of all net revenues earned by Firebrick from the Distribution Agreement ("Firebrick Revenues") in that country for the term of that Distribution Agreement with that Distribution Partner; and
 - ii. Where Firebrick does not own a granted patent in the country related to the Product, then the FFD Fee will be 20% of Firebrick Revenues in that country for the term of that Distribution Agreement with that Distribution Partner.
- b) Firebrick Revenues will include all revenues received by Firebrick from a Distribution Agreement, where the Distribution Partner was the subject of an Introduction by FFD and Firebrick Revenues may include:
 - i. License fees;
 - ii. Royalties; and
 - iii. Profit share payments.
- c) For the purposes of determining the FFD Fee payable by Firebrick, Firebrick Revenues will be calculated as net of all direct costs incurred by Firebrick in generating the revenues in the country ("Firebrick Market Costs"), including but not limited to:
 - i. Cooperative advertising or other local marketing expenses, registration costs, taxes on import or sales, freight, insurance, duties and other importation costs, and any bonus stock (at cost), rebates, discounts, reimbursements or other payments made to the Distribution Partner or to wholesalers or retailers in the country that are legitimately related to generating the revenues in the country.
- d) For each country, where Firebrick Market Costs are incurred prior to sales occurring in a country, then the Firebrick Market Costs will be deducted from any FFD Fee payable in that country and FFD will receive no FFD Fee until those costs are expunged.

At the date of this report, FFD had made Introductions to prospective partners in a number of countries, but binding agreements had been executed in only two countries or regions as follows:

1. Adcock-Ingram Critical Care in South Africa covering sales in 50 countries in Sub-Saharan Africa; and
2. SV More Group in Philippines, for the Philippines sales of Nasodine.

Other existing Introductions may convert to Distribution Agreements over time, adding to the contingent liability.

The Directors are not aware of any other contingent liabilities at the end of the reporting period (2020: nil).

NOTE 21: RELATED PARTY TRANSACTIONS**Key Management Personnel ("KMP")**

Disclosure relating to key management personnel are set out in Note 4 with details share based payment arrangements in Note 16.

Loans from/to KMP and their related parties

In 2015, the Company received two zero-interest loans from Directors Messrs Molloy and Goodall. In July 2020, under the Series D round, the Company issued 54,412 Shares each to Directors Drs Molloy and Goodall in settlement for loan funds contributed by the two founders to support patent costs in 2015. The two Directors also each received 54,412 Options on Shares exercisable at \$0.50 on or before 30 June 2022 in line with and on the same terms as all other Series D investors.

There were no loans made to KMP and their related parties during the financial year.

Other transactions and balances with KMP and their related parties

There were no transactions and balances with KMP and their related parties during the financial year.

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events or circumstances that have arisen since the date of this report.

In the Director's opinion:

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

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



Dr Peter Molloy

Executive Chairman and Chief Executive Officer

19 August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Firebrick Pharma Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Firebrick Pharma Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Firebrick Pharma Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.



Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors report, 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 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 Company's ability 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 Company or to cease operations, or has 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 this 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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley', is written over the BDO logo.

Ashleigh Woodley

Director

Perth, 19 August 2021