SUDA PHARMACEUTICALS LTD

ANNUAL REPORT **2020**

SUDA PHARMACEUTICALS LTD

SUDA PHARMACEUTICALS LTD
AND CONTROLLED ENTITIES / ABN 35 090 987 250

ANNUAL REPORT

30 JUNE 2020

CORPORATE DIRECTORY

Directors	Mr. Paul Hopper	Non-Executive Director
	Mr. David Simmonds	Non-Executive Director
	Mr. David Phillips	Executive Director
	Dr. Michael Baker	Executive Director (effective 1 July 2020)
Company Secretary	Mr. Joseph Ohayon	(resigned 18 August 2020)
	Mr. Phillip Hains	(appointed 1 July 2020)
Principal registered office in Australia	Level 3, 62 Lygon Street Carlton VIC 3053	
Share and debenture register	Advanced Share Registry Ltd 110 Stirling Highway Nedlands WA 6009	
Auditor	HLB Mann Judd Level 4, 130 Stirling Street Perth WA 6000	
Bankers	Westpac Banking Corporation Corporate Banking 109 St Georges Terrace Perth WA 6000	
	National Australia Bank 330 Collins Street Melbourne VIC 3000	
Stock exchange listings	Australian Securities Exchange Ltd Exchange Plaza 2 The Esplanade Perth WA 6000	
	Listing codes:	
	Ordinary shares	SUD
	Options	SUDOC (expired 31 July 2020)
	Options	SUDOD
	Options	SUDOE (from 5 August 2020)

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ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the board, I am pleased to present my review of SUDA's activities for the financial year ended 30 June 2020. I would also like to take this opportunity to thank our shareholders for their support over the past 12 months and for their continued support during the recent capital raise, which was heavily oversubscribed. I would also like to welcome our new shareholders who participated in the placement.

In the 2020 financial year, Mr Stephen Carter stood down as a Director and CEO. Stephen joined the Company in October 2010 and played an integral role in developing SUDA's OroMist platform. On behalf of my fellow directors, I would like to thank Stephen for his long and committed service to the Company.

In November 2019, we announced Dr Michael Baker as the new CEO of Suda Pharmaceuticals. Michael joined in January 2020 and we are delighted to have him on board. He has transitioned seamlessly into the business and following his appointment to the board on 1 July 2020, I have resumed my role as non-executive chairman of the Company.

A core focus over the course of the year was to raise the profile of SUDA by increasing our investor relation activities. I am sure that you will agree that there has been a marked increase in interviews, investor presentations and additional material to keep you updated with our activities. During the year, Edison Research and Independent Investment Research both initiated research coverage on your company.

Recently, Mr Phillip Hains was appointed as Company Secretary following the resignation of Mr Joseph Ohayon, who held the role as Company Secretary from March 2011 and was a Director of the Company from December 2012 until May 2019. During his time at SUDA, Joseph provided invaluable contributions to the Company and the team at SUDA wish him well for his future endeavours.

On the commercial front, SUDA has had a busy 12 months, adding four new deals. We finalised a development, license and supply agreement with Cann Pharma Australia and commenced two feasibility studies, one with Sanofi and another with Laboratorios Ordesa S.L., to reformulate their products. Lastly, we extended the ZolpiMist® footprint, entering into a licence and supply agreement with Mitsubishi Tanabe Pharma Korea (MTPK), for the territory of South Korea.

Post the balance date, SUDA was pleased to announce that we received TGA approval for the registration of ZolpiMist®. This represents a significant milestone for the Company, as it is the first product from SUDA's portfolio to receive regulatory approval. We are excited to select an Australian partner to commercialise the product and to work with our existing partners MTPK, MTPS and Teva to assist with their regulatory submissions and commercialisation efforts.

The Company is currently well capitalised off the back of a recent entitlement offer with applications for entitlements and top-up shares of $5.2 million for a $3.56 million capital raise. In relation to the placement, we received bids in excess of $3.4 million and due to the overwhelming demand, an additional $0.53 million was raised to strengthen Company's financial position. The funds will be used for development of anagrelide, the additional OroMist assets and to identify, evaluate and acquire additional assets to add to the portfolio.

This has been a very eventful year for the Company, in particular with the additional challenges imposed by COVID-19. Nevertheless, we are as committed as ever to ensuring that the Company is positioned for growth and to build on the fundamental value of our unique assets.

I wish to thank all of our stakeholders for their continued support and we are looking forward to a rewarding year ahead.

Paul Hopper
Chairman

MISSION STATEMENT

SUDA Pharmaceuticals Ltd is revolutionising drug delivery to improve the health and lifestyle of the global community by providing new, high-quality, innovative, oro-mucosal spray pharmaceutical products to assist in the treatment of various conditions whilst maintaining consistent growth and investment value for its shareholders.

REVIEW OF OPERATIONS AND ACTIVITIES

REVIEW OF OPERATIONS AND ACTIVITIES FOR THE 2020 FINANCIAL YEAR:

SUDA Pharmaceuticals Ltd (SUDA) is pleased to announce its financial results for the year ended 30 June 2020.

Highlights

- Revenue of $532,690 from projects
- Finalised agreement with Cann Pharma Australia
- Signed a fully funded feasibility study and option agreement with Laboratorios Ordesa, S.L.
- Signed a fully funded feasibility agreement with Sanofi
- Signed a license and supply agreement with Mitsubishi Tanabe Pharma Korea
- Senior management changes including recruiting a new CEO
- Made a decision on the ArTiMist® project
- Performed a 25:1 share consolidation
- A total of $4.1m raised after the financial year end
- TGA approval received for ZolpiMist® product

Financial review

The revenue for the financial year ended 30 June 2020 was $532,690 (2019: $1,219,083). The total invoiced amount was $865,692 less adjustment for partially or fully unsatisfied performance obligations as at 30 June 2020 in accordance with AASB 15 Revenue from Contracts with Customers.

The loss for the year was $9,935,595 (2019: $7,795,039) after an impairment loss for its ArTiMist® project of

$5,344,150 and anticipated income tax benefit (R&D Tax claim) of $652,912.

The Group's net assets decreased from $13,977,488 to $4,135,420 at 30 June 2020 due to the ArTiMist impairment with cash reserves of $977,472.

Significant events

The significant events during the 2019-20 financial year were:

i. SUDA finalised its agreement with Cann Pharma Australia

On 29 October 2019, SUDA finalised the Product Development, Licence and Supply Agreement (Agreement) with Cann Pharmaceutical Australia Ltd (CPA). The Agreement is to develop a novel oral spray of pharmaceutical-grade cannabinoid derivatives for the treatment of drug resistant epilepsy, melanoma and motion sickness throughout the world. Following completion of the feasibility study, which is fully funded by CPA, further product development costs are to be determined by SUDA and CPA jointly and will be fully funded by CPA.

ii. Fully funded feasibility study and option agreement with Laboratorios Ordesa, S.L.

On 5 December 2019, SUDA entered into a fully funded, feasibility study and option agreement with Laboratorios Ordesa, S.L. (Ordesa), a Spanish pharmaceutical company that focuses on nutrition, health and well-being.

SUDA and Ordesa intend to co-develop a major consumer product for the paediatric market, which SUDA anticipates will benefit from an improved patient delivery route and from the OroMist technology through increased speed of onset and less drug being required.

The feasibility study is fully funded by Ordesa and SUDA received an upfront option fee of US$100,000 (approx. A$140,000).

iii. Fully funded feasibility agreement with Sanofi

On 9 December 2019, SUDA entered into a fully funded feasibility study with SANOFI-AVENTIS GROUPE (Sanofi) to investigate the feasibility of SUDA's OroMist Technology and a Sanofi selected active ingredient.

Based on the outcomes of the feasibility study, Sanofi and SUDA may enter into further collaboration.

iv. License and Supply agreement with Mitsubishi Tanabe Pharma Korea

On 23 March 2020, SUDA entered into an exclusive license agreement with Mitsubishi Tanabe Pharma Korea (MTPK) for the supply of ZolpiMist® for South Korea. SUDA received an upfront payment of US$100,000 (approximately A$140,000) and will receive commercial milestone payments of US$300,000 based on MTPK achieving sales targets.

SUDA will also receive a 12% royalty of net sales of the product.

v. Senior Management Changes

On 23 September 2019, Stephen Carter stepped down as Managing Director and Chief Executive Officer after nearly 9 years on the board and management team. Paul Hopper, who had joined the Company as Non-executive Director and Chairman, was appointed as interim Executive Chairman.

On 27 November 2019, Dr Michael Baker was appointed as CEO of SUDA and commenced on 2 January 2020. Dr Baker joined SUDA Pharmaceuticals from the leading Australian life science fund, Bioscience Managers, where he was based from 2017. As an Investment Manager, he was responsible for deal sourcing from networks, conferences, universities and research institutes. He also conducted due diligence to shortlist investment opportunities and managed portfolio companies.

Dr Richard Franklin joined SUDA as Project Director for the Company's development of anagrelide. Dr Franklin has over forty years' experience in pharmaceutical research and development. Importantly, he was involved in the development and registration of anagrelide across Europe as Xagrid® for the treatment of the orphan condition, Essential Thrombocythemia. Dr Franklin played an active role in securing granted patents for anagrelide in Japan and Australia, both received in 2020, adding to the granted patent in Europe.

In December 2019, the Company decided to close its US business development operations and Andrew Curtis, who was employed to lead US based business development activities, left SUDA.

In March 2020, we were fortunate to have Mr Tony Macintyre join SUDA as General Manager of the Perth facility. Tony joins us from Perth based medical device company Anteris Technology (formerly Admedus) where he was the site head of the GMP facility and he played roles spanning technical, regulatory, operations and leadership. He is a valuable addition to the SUDA team.

vi. Decision on the ArTiMist® project

In May 2019, SUDA received a TGA notice of denial for marketing approval of its ArTiMist oral spray. SUDA undertook an appeal against the TGA decision under section 60 of the Therapeutic Goods Act 1989 requesting reconsideration of the initial decision, which was lodged with the TGA in August 2019.

On 1 October 2019, SUDA received notice that the decision from the TGA that the delegate had decided to uphold the original decision as the delegate was not satisfied that the safety and efficacy of the product had been satisfactorily established for the purpose for which it is intended to be used.

Accordingly, on 30 March 2020, SUDA made the decision to place the ArTiMist program on hold and all costs associated with the program were fully written off following the decision of the TGA to uphold the denial.

vii. Performed a 25:1 share consolidation

SUDA completed the consolidation of its share capital on a twenty-five (25) for one (1) basis (the "Consolidation"). The Consolidation was approved by shareholders at the Annual General Meeting of the Company held on 12 November 2019.

As a result of the consolidation, the post consolidation shares and options on 22 November 2019 were:

Securities	Number of securities on issue (pre-consolidation)	Number of securities on issue (post-consolidation)
Fully-paid Ordinary Shares	3,556,371,635	142,254,397
Listed Options - SUDOC	698,908,634	27,956,286
Listed Options - SUDOD	517,206,121	20,688,051
Unlisted Options	27,500,000	1,100,000

viii. Capital raising of $4.1m post 30 June 2020

On 3 July 2020, SUDA commenced a 1 for 1 non-renounceable entitlement offer of fully paid ordinary shares in Suda (New Shares) (and 1 option for every 3 New Shares issued with an exercise price of $0.05 and an expiry date of 31 July 2022) to raise approximately $3.56 million (Entitlement Offer).

The Entitlement Offer closed on 29 July 2020 and was heavily oversubscribed. As a result of the over-subscription, the Company raised an additional $0.5 million via a placement to sophisticated investors.

ix. ZolpiMist® received TGA approval

On 28 July 2020, the Company received approval of the registration of the Company's lead product ZolpiMist® (zolpidem tartrate) for the treatment of short-term insomnia in adults, from the Therapeutics Goods Administration (TGA).

SUDA submitted a Marketing Authorisation Application (MAA) to the TGA for ZolpiMist® in April 2019. Subsequent to the submission, SUDA made a strategic decision to register a supplemental active pharmaceutical ingredient (API) supplier and final product manufacturer, which required an amendment to the TGA submission.

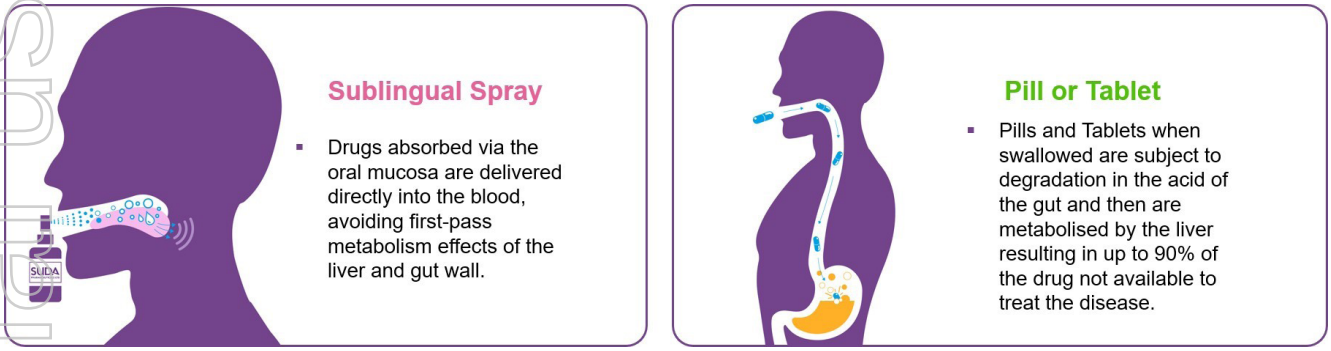
The outcome from the strategic decision is a reduction of the costs of raw material and finished product, which will enable SUDA to create additional value over the medium to long-term from its existing partnerships. This is an important milestone for SUDA as it represents the first regulatory approval for a product from its portfolio.

REVIEW OF OPERATIONS AND ACTIVITIES

An Overview of SUDA Pharmaceuticals

SUDA Pharmaceuticals Limited (ASX: SUD) is a global leader in reformulating and providing an alternative route of administration for the delivery of medications, oral sprays, using its OroMist™ platform. The proprietary OroMist technology enables SUDA to develop low-risk oral sprays to reformulate current pharmaceuticals. Administering drugs through the oral mucosa (palate, cheeks, gum and tongue) has many potential benefits including reduced side effects, ease of use, faster response time and lower dosage. Importantly, dosing via an oral spray opens up access to a number of patient groups that are unable to take medications via a pill, tablet or capsule such as patients that are unable to swallow and in the case of paediatrics.

Oro-mucosal spray delivery is a highly effective drug delivery method through which drugs can enter the bloodstream more swiftly and avoid the first-pass metabolism effects of the liver and gut wall. The oral mucosa, or lining of the mouth, is a highly vascularised tissue. When drugs are delivered via an oral spray and they bind and cross this layer of tissue, they gain direct access to the bloodstream. This enables the active ingredient of a medication to enter the bloodstream much faster in comparison to medications taken as a solid dose form, resulting in increased speed of onset. When drugs are taken as solid dose forms, they are broken down mechanically and enzymatically as they move through the stomach, gastrointestinal tract and the liver during first-pass metabolism. An oral spray also preserves more drug as it is able to bypass these forces, potentially allowing for less drug to be administered for the equivalent effect.



Source: Company's presentation (4th June 2019)

SUDA's intellectual property includes granted and pending patents, trademarks and proprietary know-how. The management is currently working with the technical team to further strengthen the intellectual property portfolio as it progresses with its R&D efforts.

A list of patents can be found on the Company's website at www.sudapharma.com

PRODUCT PIPELINE: KEY PROJECTS

Area	Asset/ Partner	Indication	Development	Pre-clinical	Clinical	Regulatory Submission	Approved[2]
Oncology	Anagrelide	Solid tumours with increased platelet levels					
Central Nervous System	ZolpiMist™ [1]	Insomnia					
	Sumatriptan	Migraine					
Medical Grade Cannabis	Zelira Therapeutics	Not disclosed					
	Cann Pharma	Drug resistant epilepsy, melonoma, motion sickness					
Development Partnership	Ordesa	Not disclosed					
	Sanofi	Not disclosed					

[1]Suda holds the license to ZolpiMist outside of North America
[2]ZolpiMist has been approved by the TGA & the FDA

REVIEW OF OPERATIONS AND ACTIVITIES

PRODUCT PIPELINE: KEY PROJECTS

Anagrelide for treatment of cancer

Anagrelide, an established platelet lowering agent for use in thrombosis, is being repurposed by SUDA as a first-in-class approach for the treatment of cancer, potentially applicable across a wide range of solid tumour cancers. Immuno-oncology drugs, including chimeric antigen receptor (CAR) T cell therapies and checkpoint inhibitors, stimulate a patients' immune system to attack cancer cells. Anagrelide, by reducing the possibility of a "platelet protective shield" to cancer cells, could be complementary to such treatments rendering circulating cancer cells more susceptible to attack by the body's own "killer" T cells and could thus offer a valuable new adjunctive therapy. Anagrelide was previously approved for the treatment of Essential Thrombocythemia and its ability to lower platelets is well recognised. A limiting factor for the use of anagrelide is the generation a cardiostimulatory intermediate during first-pass metabolism in the liver. Achieving the goal of reformulating anagrelide into an oral spray may enable delivery of the drug in a manner that reduces production of this cardiostimulatory intermediate. This may provide a safer route of administration for anagrelide, permitting its use for the treatment of metastatic disease in patients with certain types of solid tumour cancers to hopefully extend lifespan or progression free survival.

Role of Platelets in Cancer Progression

Platelets are tiny components of the blood, derived from precursor cells called megakaryocytes (MKC). MKCs are found in bone marrow and are usually associated with blood clotting. However, when the platelets are activated by cancer cells, they release different bio-active materials into the blood stream to help the primary tumour produce its own blood supply. In the later stages of tumour development, some cancer cells may break away from the primary tumour and travel to other parts of the body to establish new, secondary growths (known as metastases). These secondary tumours would normally be at risk of being eliminated by the body's own defensive cells (known as "killer" T-cells). But platelets have been found to provide a protective envelope around circulating cancer cells to shield them, as well as secreting platelet-derived growth factors that directly impair T-cell function and the ability to deal with cancer cells. Realising the importance of platelets in supporting their growth, the cancer cells send out chemicals to the body to produce more platelets.

Potential role of anagrelide in cancer treatment

Anagrelide can slow the production of the platelets reducing the impact of these protectors of, and promoters of, tumour growth. Anagrelide not only advantageously lowers blood platelets but it has also been shown to inhibit cancer cell movement towards platelet-producing cells, megakaryocytes, principally found in the bone marrow but also the lung, two likely sites of metastases. This means that by potentially slowing the growth and spread of the tumours the existing cancer drugs have a greater chance of reducing the tumour burden. Anagrelide is therefore proposed as an adjuvant or neo-adjuvant therapy (modifier/promotor of the effect of another drug). It has the potential to improve the performance of some of the most exciting new immunotherapies such as CAR T cell therapies or checkpoint inhibitors. If successful, we would expect anagrelide to increase progression free survival and potentially result in greater cure rates.

Intellectual Property

SUDA owns the global rights to the following patent: "Prevention and treatment of metastatic disease in thrombocytotic cancer patients" Priority date 22 December 2014. PCT published 30 June 2016.

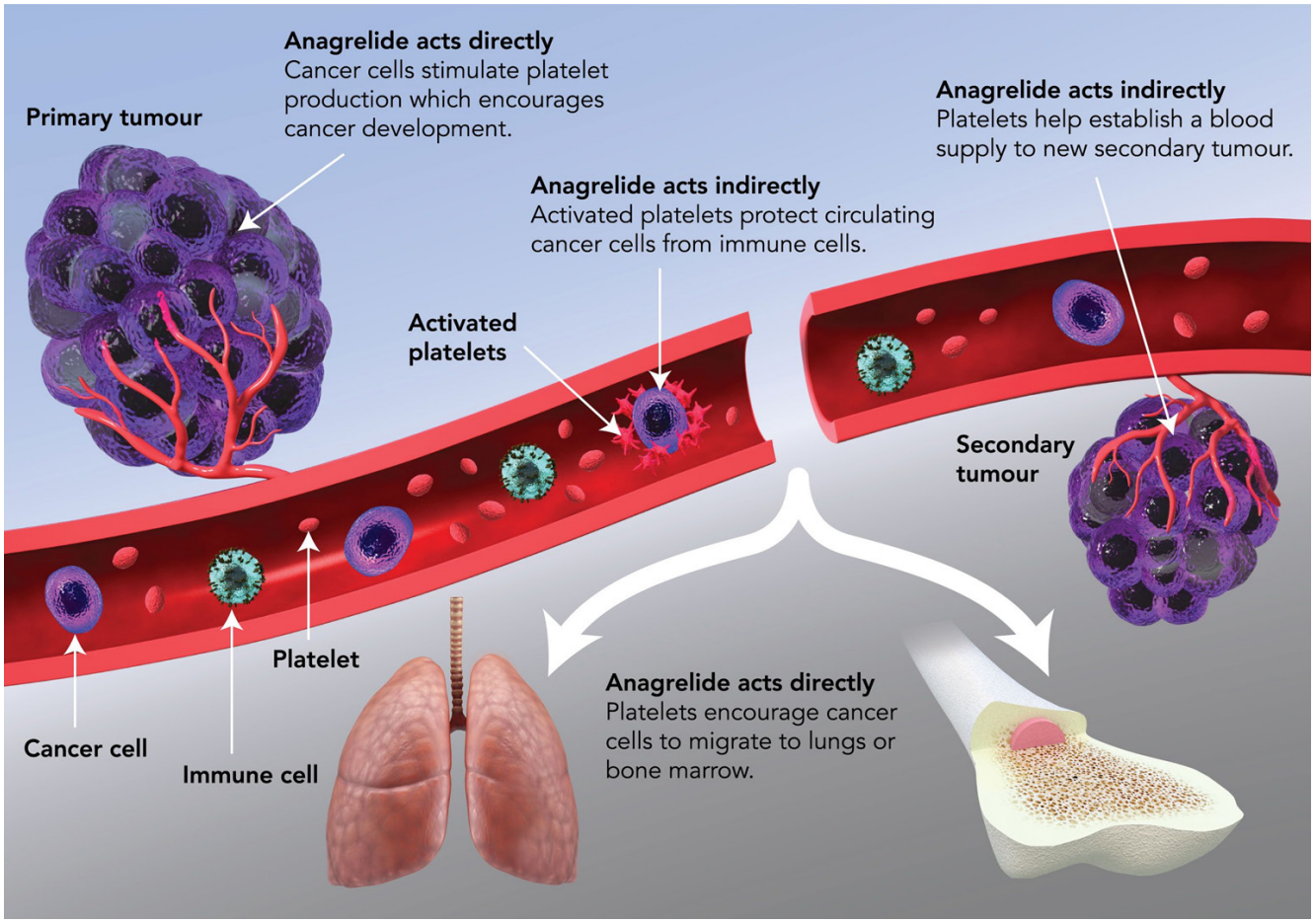
The patent claims are based around the treating or prevention of cancer in thrombocytotic cancer patients with solid cancers such as brain, GI, oral, head and neck, pancreatic, liver, colorectal, lungs, ovarian, cervical, endometrial, breast, prostate, kidney, melanoma, mesothelioma, multiple myeloma and gall bladder.

The European Patent Office has granted SUDA's Application No. 15817516.6 titled "Use of Anagrelide for Treating Cancer". In addition, in May 2020 SUDA announced the Japanese Patent Office will grant SUDA's application No. 2017-534600 titled "Use of Anagrelide for Treating Cancer". In September 2020, SUDA also received notification from the Australian Patent Office that its anagrelide patent would proceed to grant.

The patent is in its National Phase and is undergoing examination in a number of additional jurisdictions including the North America. The patent expiry is December 2035.

Project Status

SUDA has drawn upon international experience, producing several formulations with the required concentrations to permit dosing of anagrelide as an oral spray. A canine study was performed at the leading CRO Covance Inc. in the UK, testing three oral spray formulations in comparison to the capsule form of the drug, Xagrid™. The study demonstrated that one of the formulations increased the bioavailability of anagrelide, which may permit lower levels of the drug to be administered. An increase in the cardiostimulatory intermediate was also observed but to a lesser degree, indicating that reducing the dose of anagrelide would reduce exposure of patients to the cardiostimulatory intermediate. The study supports the hypothesis that an oral spray version



of the drug may permit a safer way to dose cancer patients with anagrelide for the treatment of metastatic disease in patients with certain solid tumour cancers.

Work is ongoing to optimise the formulation to ensure that it is sufficiently stable for a pharmaceutical grade product. Once this has been established an abbreviated preclinical safety package will be completed. This will be followed by in man proof-of-concept studies to determine the pharmacokinetic properties of an oral spray formulation of anagrelide and its effect in cancer patients for extension of life span or progression free survival.

ZolpiMist®: treatment for insomnia

ZolpiMist® is a US approved, patented, cherry-flavoured, oro-mucosal spray formulation of zolpidem tartrate (marketed under the brand name of Ambien® or Stilnox®), a non-benzodiazepine prescribed for the short-term treatment of insomnia characterised by difficulties with sleep initiation, as per Ambien's approved indication. Speed of onset is an important characteristic for a successful treatment for insomnia.

SUDA already has in place license and supply agreements with TEVA and Mitsubishi Tanabe Pharma Singapore. In March 2020, SUDA was pleased to expand the relationship with the Mitsubishi Tanabe Pharma Corporation entering into a license and supply agreement with Mitsubishi Tanabe Pharma Korea.

SUDA has now out-licensed ZolpiMist® in seven countries: Brazil, Chile, Mexico, the Philippines, Malaysia, Singapore and South Korea. SUDA is in negotiations with pharmaceutical companies for other territories in line with the strategy to commercialise the product across the globe.

In July 2020, SUDA received TGA approval for registration of ZolpiMist® for the treatment of short-term insomnia in adults. This is an important milestone for SUDA as it represents the first regulatory approval for a product from its portfolio.

The benefits of the TGA submission include:

- ZolpiMist® will be included on the Australian Register of Therapeutic Goods and can be commercialised and supplied within Australia;
- Demonstrates SUDA's compliance with Good Manufacturing Practice and an ability to obtain regulatory approvals for its products; and
- It will assist SUDA's current partners, TEVA, Mitsubishi Tanabe Pharma Singapore and MTP Korea, in their submissions in their respective territories with the amended API supplier and manufacturer.

REVIEW OF OPERATIONS AND ACTIVITIES

Sumatriptan for the treatment of migraine headache

Migraine is a painful and debilitating condition that disrupts lives, impacts careers and costs employers in lost work and diminished productivity. According to industry reports, migraine affects about 11% of the European population and 13.2% of the US population. Global Data predict that the global migraine market is set to reach $8.7 billion by 2026 growing at a compound annual growth rate of 10.3%. The US will continue to dominate the market with 77% share of total sales by 2026.

SUDA has entered into an exclusive product development, licence and supply agreement with Strides Pharma Global Pte Ltd, a fully-owned subsidiary of Strides Pharma Science Ltd, for the development and commercialisation of SUDA's novel fast acting oral spray of sumatriptan to treat migraine headache in the US market.

SUDA is continuing to develop a first-in-class oral spray formulation of sumatriptan in partnership with Strides using the Company's proprietary OroMist® hydrotrope technology. Once the formulation has been finalised, an abbreviated pre-clinical package will be completed before the product is included in clinical trials. Once approved by the US Food and Drug Administration (FDA), the product would be the first novel fast-acting oral spray of sumatriptan in the US market.

Cannabinoids (CBD)

SUDA finalised its Agreement with Cann Pharma Australia (CPA), a subsidiary of Israeli group Better Holdings, to develop and supply an oral spray formulation for pharmaceutical-grade cannabinoid derivatives. CPA is a leading medical grade cannabis company and the agreement is to develop a novel oral spray of pharmaceutical-grade cannabinoid derivatives for the treatment of drug resistant epilepsy, melanoma and motion sickness throughout the world.

Following completion of the feasibility study, which is fully funded by CPA, further product development costs are to be determined by SUDA and CPA jointly and will be fully funded by CPA.

SUDA is continuing its work with Zelira Therapeutics (formerly Zelda Therapeutics). We are applying the OroMist® oro-mucosal spray technology to develop Zelira's pharmaceutical-grade cannabinoid derivatives into an oral spray for a range of therapeutic areas.

Creating New Partnerships

Laboratorios Ordesa, S.L.

SUDA and Ordesa intend to co-develop a major consumer product for the paediatric market. On the successful completion of the initial feasibility study, or as agreed by the parties, Ordesa may elect to expand the scope of work or to exercise its option for full development of the product, which is to be funded by Ordesa. The two companies will negotiate a definitive agreement for the development, licence and supply of the product.

All intellectual property from the feasibility study and the full development will be jointly owned, however, the trademark of the product will be the property of Laboratorios Ordesa.

Sanofi

On 9 December 2019, SUDA entered into a fully funded feasibility study with SANOFI-AVENTIS GROUPE (Sanofi) to investigate the feasibility of SUDA's OroMist Technology and a Sanofi selected active ingredient.

Based on the outcomes of this feasibility study, Sanofi and SUDA may enter into further collaboration.

STRATEGY

With the changes in the Board and senior management over the past 12 months, SUDA has taken the opportunity to modify its business strategy. At this stage there are two clear changes:

1. Focus on a reduced number of projects; and
2. Acquire new technologies

Focus on reduced number of projects

SUDA has made decisions to put a hold on the following projects: ArTiMist (following the denial by TGA); Ondansetron; Midazolam and Sildenafil (all pending assessment of co-development opportunities).

Paul Hopper had initially obtained the technology and SUDA paid an exclusivity fee to secure the asset for a limited time period on commercial terms.

Project development requires resources in terms of personnel, time and financial support. The decision to focus on key projects is based on an assessment of available resources and the ability to develop high quality products.

Acquiring new technologies

In May 2020, SUDA progressed towards the announcement of a proposed material licensing transaction in relation to a promising cancer therapy technology from a leading US Cancer Research Institute.

On 1 June 2020, SUDA entered into a trading halt to finalise these arrangements and the arrangements for a proposed capital raising. Suda had established an independent transaction committee to assess and pursue the transaction and after extensive due diligence the Board had ultimately satisfied itself that the transaction was in the best interests of the Company's shareholders.

Following the Company's entry into a trading halt, ASX made a determination that the transaction was of the nature which would, in ASX's view, require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules for the purposes of Listing Rule 11.1.3. In response, the Company lodged an application for in-principle advice in relation to its suitability for readmission. ASX formally advised SUDA that there was a significant likelihood the ASX would exercise its discretion to decline SUDA's application for readmission if it chose to proceed with the proposed transaction.

After careful consideration, the Board determined that with the ASX's determination it was not possible for the Company to proceed with the proposed transaction.

A key part of SUDA's business strategy is to acquire novel assets. The board and senior management group has a high level of expertise in sourcing and evaluating new technologies in the biotechnology and drug development sector. In line with the current portfolio, SUDA will look to acquire assets to complement its two main areas of focus, oncology and the central nervous system.

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of SUDA Pharmaceuticals Limited ("SUDA" or "Company") and the entities it controlled during the period for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are as follows.

Directors were in office for this entire period unless otherwise stated.

Director	Executive or Non-Executive	Changes during the year
Paul Hopper	Non-Executive Chairman	
David Simmonds	Non-Executive Director	
David Phillips	Executive Director	
Michael Baker	Executive Director and CEO	(effective 1 July 2020)
Stephen Carter	Executive Director	(resigned 23 September 2019)

Information on directors

The following information is current as at the date of this report.

Mr Paul Hopper

Non-Executive Chairman
(appointed 15 May 2019)

Qualifications:
Bachelor of Arts (UNSW),
Diploma – Securities Institute of Australia

Experience and expertise: Paul Hopper has international and ASX biotech capital markets experience and over 25 years' experience in the medical, healthcare & life sciences sectors, particularly in immuno-oncology and vaccines. He is the former Chairman of Viralytics Ltd (acquired by Merck for $500m in 2018), Founder and Director of Prescient Therapeutics Ltd, Founder of Imugene Ltd and Polynoma LLC, former Director of pSivida Corp, Somnomed Ltd and Fibrocell Science, Inc. Paul has deep experience in corporate governance, risk and strategy.

Other current directorships:
Imugene Ltd (ASX: IMU) since 31 October 2012

Former directorships in last 3 years:
Viralytics Ltd (ASX: VLA), until 21 June 2018
Prescient Therapeutics Ltd (ASX: PTX), until 2 January 2020

Committees:
Chair of the Board
Member of the Audit and Risk Committee
Chair of the Nomination Committee
Chair of the HR & Remuneration Committee

Mr David Simmonds

Non-Executive Director
(appointed 27 March 2019)

Qualifications:
Bachelor of Economics, Associate Member of the Chartered Accountants Australia and New Zealand

Experience and expertise: David was a senior audit partner with Ernst & Young from 1989 to 2017. From 2008 to 2013, David led the Capital Markets desk in Australia with responsibility for overseeing or reviewing all Australian cross border fundraisings. As an audit partner, David was involved in several high-profile businesses including Ramsay Health Care Ltd, John Fairfax Holdings and Commonwealth Bank of Australia and also was audit partner for the Australian operations of the leading US technology companies Hewlett Packard, Sun Microsystems and Oracle. David was a member of the Board and chaired the Audit, Risk and Finance Committee of MS Research Australia, the largest national not-for-profit body dedicated to funding and coordinating multiple sclerosis research in Australia.

Committees:
Chair of the Audit and Risk Committee
Member of the Nomination Committee
Member of the HR & Remuneration Committee

Mr David Phillips
Executive Director
(appointed 6 April 2018)

Qualifications:
Bachelor of Science (Pharmacology), Diploma in Marketing, Member of the Chartered Institute of Marketing until August 2016

Experience and expertise: Mr Phillips joined the board in April 2018 as a Non-Executive Director before moving to an Executive Director in 2019. Mr Phillips has 35 years' experience in the healthcare industry, 23 of which were with Glaxo Wellcome and then GSK. After Glaxo Wellcome Mr Phillips spent 12 years at board level including chief business officer of Argenta Discovery, The Automation Partnership and BioFocus (Galapagos NV). Mr Phillips re-joined GSK as Managing Partner in the corporate venture arm SR One in 2008 to pioneer a new function to incubate and spin-out technologies from GSK and in parallel investing in early-stage life science companies. At SR One, Mr Phillips was a member of the Investment Committee and reviewed over 30 opportunities in that role. Mr Phillips has been responsible for over 50 pharma/biotech deals and 10 M&A transactions. He leads the business development activities.

Committees:
Member of the Audit and Risk Committee
Member of the Nomination Committee
Member of the HR & Remuneration Committee

Dr Michael Baker
Executive Director and CEO
(appointed director on 1 July 2020)

Qualifications:
Ph.D. Biochemistry, Master of Business Administration

Experience and expertise: Dr Baker has over 15 years of experience in scientific research, drug development and venture investing. He was an Investment Manager with leading Australian life science fund, BioScience Managers, responsible for deal sourcing from networks, conferences, universities and research institutes. He also conducted due diligence to shortlist investment opportunities and played an active role in managing portfolio companies.

Committees:
Member of the Audit and Risk Committee
Member of the Nomination Committee
Member of the HR & Remuneration Committee

Company Secretary

Mr Phillip Hains was appointed to joint company secretary on 1 July 2020. Mr Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 30 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT University and a Public Practice Certificate from Chartered Accountants Australia and New Zealand.

Mr Joseph Ohayon resigned as company secretary on 18 August 2020, and he continues in his role as Chief Financial Officer until 25 September 2020.

Principal Activities

The principal activity of the entities within the Company during the year was pharmaceutical development of drug delivery technology.

Review of Operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 4 - 11 of this annual report.

A summary of consolidated revenues and results for the period by significant industry segments is set out below:

	Revenue		Net loss	
	2020	2019	2020	2019
Consolidated	$	$	$	$
Group	532,690	1,219,083	9,935,595	7,795,039

The increase in the loss was primarily due to the impairment of the Company's ArTiMist® Project of $5,344,150 and $593,382 impairment on Ondansetron Project and Midazolam Project.

The income tax benefit relates predominately to the R&D Tax Incentive claim for the 2020 year of $652,912 (2019: $925,000).

Significant changes in the state of affairs

There is no significant change in the state of affairs the Group during the reporting period, other than as set out in this report.

Events since the end of the financial year

The following occurred after the Balance Date:

- On 1 July 2020, Dr Michael Baker was appointed as Director of the Company.
- On 1 July 2020, the Company appointed Mr Phillip Hains from The CFO Solution as Joint Company Secretary with Mr Joseph Ohayon. Mr Joseph Ohayon resigned as Company Secretary on 18 August 2020 and will resign from the Company on 25 September 2020.
- On 28 July 2020, the Therapeutics Goods Administration (TGA) approved the registration of the Company's lead product ZolpiMist® (zolpidem tartrate) for the treatment of short-term insomnia in adults.
- On 5 August 2020, the Company completed a 1 for 1 non-renounceable entitlement offer of fully paid ordinary shares and 1 option for every 3 new shares issued with an exercise price of $0.05 and an expiry date of 31 July 2022 to raise $3.56 million. The total allotment and issuance was 142,254,397 new shares and 47,418,378 attached listed options (SUDOE) under the non-renounceable pro rata entitlement offer.
- On 10 August 2020, the Company raised $0.53 million by issuance of 21,338,159 new shares under the placement prospectus announced on 3 August 2020.

Likely developments and expected results of operations

The Company's drug delivery business is in various stages of development and is adopting a staged business and marketing strategy as the Company moves along the growth path and remains abreast with developments in the pharmaceutical industry.

The Company intends to adopt steps to achieve financial, clinical, technical and regulatory risk reduction by combining in-house development of some projects and collaborate with partners on others.

Future license agreements and research collaborations represent key strategic assets both from a financial and knowledge point of view, helping to finance other in-house projects.

The Company is also seeking to acquire new assets.

The Company's project pipeline intends to adopt a multi-pronged commercial strategy providing income streams in the short to medium-term and the potential for long-term value creation.

The Board of Directors is of the opinion that the Company's current strategy and activities will form the basis on which to realise the Company's maximum potential value.

Environmental regulation

The Group is currently not subject to any significant environmental legislation.

Dividends - Suda Pharmaceuticals Limited and Controlled Entities

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Interests in the shares, options and convertible notes of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the Directors as at 30 June 2020:

Name of officer	Number of fully paid ordinary shares	Number of unlisted options over ordinary shares	Number of listed options (SUDOC) over ordinary shares	Number of listed options (SUDOD) over ordinary shares
Paul Hopper	280,000	1,600,000	-	-
David Phillips	-	-	-	-
David Simmonds	-	-	-	-
Michael Baker (appointed 1 July 2020)	-	2,800,000	-	-

Meetings of directors

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' meetings		Risk & Audit Committee		HR & Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Mr. Paul Hopper	10	10	2	2	2	2	1	1
Mr. David Phillips	10	10	2	2	2	2	1	1
Mr. David Simmonds	9	10	2	2	2	2	1	1
Mr. Stephen Carter (resigned 23 September 2019)	2	2	1	1	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of SUDA Pharmaceuticals Limited (the "Company") for the financial year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

Key management personnel covered in this report

Directors

Paul Hopper	Non-Executive Chairman
David Simmonds	Non-Executive Director
David Phillips	Executive Director
Dr Michael Baker	Executive Director (CEO appointed to Executive Director on 1 July 2020)
Stephen Carter	Executive Director (resigned 23 September 2019)

Executives

Dr Carol Worth	Chief Technical Officer
Joseph Ohayon	Chief Financial Officer, Company Secretary (resigned 18 August 2020)
Andrew Curtis	VP, Business Development and Alliance Management (resigned 7 December 2019)

Remuneration philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

HR & Remuneration Committee

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Remuneration structure

The HR & Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the executive team.

The HR & Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The methods implemented are discussed on the next page.

Consolidated	2020	2019	2018	2017	2016
	$	$	$	$	$
Revenue	532,690	1,219,083	425,864	495,029	5,871,615
Net loss	(9,935, 595)	(7,795,039)	(5,459,278)	(1,238,309)	(2,286,813))
Dividends Paid	-	-	-	-	-
Share Price at year-end	0.031	0.003	0.008	0.019	0.020
Market capitalisation ($ mil)	4.41	10.67	9.89	23.17	22.83

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company may offer options to Non-Executive Directors as part of their remuneration package.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 25 November 2010 when shareholders approved an aggregate remuneration of $200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a director of the Company.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed annual remuneration (FR)

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration component of the key management personnel is detailed in the table on page 20.

Variable Remuneration

The Directors considered that it was desirable to establish various employee incentive plans, in order to:

- reward employees of the Company;
- assist in the retention and motivation of employees of the Company; and
- provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

Accordingly, on 26 September 2017, and as ratified at the Annual General Meeting held on 28 November 2017, the Directors adopted the:

a. Employee Share Option Plan (Option Plan) under which Directors and executives and other employees may be offered the opportunity to be granted Options (Executive Long Term Incentive Plan);

b. Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares.

The plans are designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company's success. Under the current circumstances the Directors consider that the incentive plans are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as increased cash-based remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The plans are designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

Short-Term Incentive (STI) Plan

The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met.

Aspect	Plan Rules, Offers and Comments
Measurement period	The Company's financial year, i.e. from 1 July to the following 30 June, with a review after 6 months.
Eligible participants	All senior management and all staff.
Performance conditions	Linked to continuous employment and performance milestones.
Award opportunities	Senior management and staff are eligible for bonus payments of 10-25% of base salary. The CEO is eligible for a bonus payment of up to 33% of salary.

Long-Term Incentive (LTI) Plan

Aspect	Plan Rules, Offers and Comments
Measurement Period	The LTI Plan is for the period to 10 December 2020.
LTI Offer	Options were offered under the Plan during the financial year with the relevant policies and Plan rules.
Eligible participants	Executive directors, non-executive directors and senior management are eligible for the LTI.
Performance conditions for executive directors	The performance conditions are linked to continuous employment.
Performance conditions for non-executive directors	The Directors are of the opinion that the performance conditions of Options should be linked to continuous employment.
Terms of Options	Each Option will be granted to eligible employees under the Option Plan for nil consideration. The exercise price of an Option shall be 145% of the VWAP of Shares sold on ASX during the five trading days up to and including the grant date, or such other period as determined by the Board in it's discretion.
Vesting	The Options will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
Cashless Exercise Facility	Participants may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise (Cashless Exercise Facility). By using the Cashless Exercise Facility, the participant will receive Shares to the value of the surplus after the exercise price has been set off.
Disposal restrictions	A participant may not transfer an Option granted under the Option Plan without the prior consent of the Board.

The aggregate of annual payments available for executives across the Company is subject to the approval of the HR & Remuneration Committee.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

The details of the executives' employment contracts are:

Executive	Period of notice
Paul Hopper	Nil
David Phillips	1 month
David Simmonds	Nil
Michael Baker	3 months
Joseph Ohayon	3 months
Carol Worth	1 month

The employment contracts are ongoing and there are no termination payments provided for under the contracts.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration expenses for KMP

2020	Short-term employee benefits		Post-employment benefits		
	Cash Salary and fees	Other	Superannuation	Share-based payments	Total
	$	$	$	$	$
Non-executive directors					
Paul Hopper[5]	133,842	-	-	23,916	157,758
David Simmonds	40,000	-	3,800	-	43,800
Executive directors					
David Phillips[1]	190,000	-	3,800	-	193,800
Stephen Carter[4] (resigned 23 September 2019)	77,626	**194,028**	14,749	-	286,403
Other key management personnel					
Carol Worth	160,000	-	15,200	-	175,200
Joseph Ohayon	195,000	-	18,525	-	213,525
Michael Baker[2] (appointed 2 January 2020)	124,328	53,625	11,811	69,611	259,375
Andrew Curtis[3] (resigned 7 December 2019)	249,144	15,355	-	-	264,499
Total key management personnel compensation	**1,169,940**	**263,008**	**67,885**	**93,527**	**1,594,360**

Note 1: In 2020 David Phillips received $40,000 in director fees and $150,000 for consulting services in relation to his role as Chief Business Officer.

Note 2: Dr Michael Baker was entitled to $53,625 bonus payable as at 30 June 2020 and was paid in August 2020.

Note 3: In 2020, $15,355 relates to health benefits paid in the US for Andrew Curtis.

Note 4: Stephen Carter resigned on 23 September 2019. He was entitled to a termination benefit of $194,028.

Note 5: Remuneration includes amounts received by Paul Hopper while he received as executive role during the year following the resignation of Stephen Carter and until Michael Baker was appointed as a Director.

2019	Short-term employee benefits		Post-employment benefits		
	Cash Salary and fees	Other	Superannuation	Share-based payments	Total
	$	$	$	$	$
Non-executive directors					
Paul Hopper	10,000	-	-	31,695	41,695
David Simmonds	10,329	-	981	-	11,310
Executive directors					
Stephen Carter	303,667	-	28,848	8,085	340,600
David Phillips[1]	140,000	-	3,800	-	143,800
Other key management personnel					
Carol Worth	151,250	-	14,369	-	165,619
Joseph Ohayon	235,965	-	22,416	4,312	262,693
Andrew Curtis[2]	270,182	28,500	-	-	298,682
Nick Woolf (resigned 24 July 2018 and effective 23 October 2018)	55,679	-	5,093	-	60,772
Total key management personnel compensation	**1,177,072**	**28,500**	**75,507**	**44,092**	**1,325,171**

Note 1: In 2019 David Phillips received $40,000 in director fees and $100,000 for consulting services in relation to his role as Chief Business Officer.

Note 2: In 2019, $28,500 relates to health benefits paid in the US for Andrew Curtis.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	**2020**	2019	**2020**	2019
Non-executive directors	**%**	**%**	**%**	**%**	**%**	**%**
Paul Hopper	85	24	-	-	15	76
David Simmonds	100	100	-	-	-	-
Executive directors						
David Phillips	100	100	-	-	-	-
Stephen Carter (resigned 23 September 2019)	100	98	-	-	-	2
Other KMP						
Joseph Ohayon	100	98	-	-	-	2
Carol Worth	100	100	-	-	-	-
Michael Baker (appointed 2 January 2020)	52	-	21	-	27	-
Andrew Curtis (resigned 7 December 2019)	100	100	-	-	-	-

Option plans in existence during the financial year

	Number	Option grant date	Expiry date	Grant date fair value	Vesting date
ESOP	460,000	11 Dec 2017	10 Dec 2020	51,388	Note (i)
ESOP	240,000	31 Jan 2019	30 Jan 2022	12,446	Note (i)
ESOP	1,600,000	12 Nov 2019	14 May 2022	55,979	Note (i), (ii)
ESOP	2,800,000	2 Jan 2020	1 Jan 2024	108,663	Note (i), (iii)

Note (i): For details on the valuation of the options, including models and assumptions used, please refer to Note 17.

Note (ii): Share-based payments granted as compensation to Paul Hopper. Vesting conditions and expiry dates of options are:

- 520,000 unlisted options exercisable at $0.1475, expiring: 14 May 2022
- 520,000 unlisted options exercisable at $0.1575, expiring: 14 May 2022
- 560,000 unlisted options exercisable at $0.1675, vesting after 14 May 2021 and expiring: 14 May 2022

Note (iii): Share-based payments granted as compensation to Michael Baker. Vesting conditions and expiry dates of options are:

- 1,200,000 unlisted options exercisable at $0.0870, expiring: 1 January 2024
- 800,000 unlisted options exercisable at $0.0930, vesting after 30 June 2021 and expiring: 1 January 2024
- 800,000 unlisted options exercisable at $0.0990, vesting after 30 June 2022 and expiring: 1 January 2024

Bonuses

Dr Michael Baker was granted a performance bonus of $53,625; it related to the 2020 financial year and included in the remuneration disclosure for 2020. It was paid in August 2020.

Share-based payments granted as compensation to key management personnel during the current financial year

The share-based payments granted as compensation to key management personnel are listed above with options grant dates of 11 December 2017, 31 January 2019, 12 November 2019 and 2 January 2020.

Options granted, exercised or lapsed during the year

	Number	Option grant date	Expiry date	Grant date fair value	Vesting date
ESOP	1,200,000	2 Jan 2020	1 Jan 2024	46,673	Note (i)(iii)
ESOP	800,000	2 Jan 2020	1 Jan 2024	31,034	Note (i)(iii)
ESOP	800,000	2 Jan 2020	1 Jan 2024	30,956	Note (i)(iii)

Refer to Notes (i) and (iii) above

Vesting conditions and expiry dates of options granted to Paul Hopper and Michael Baker are outlined above.

There were no options exercised or lapsed during the year.

Shareholdings of Key Management Personnel

	Balance at the start of the year	Granted as remuneration	On Exercise of Options or conversion of convertible note	Net other changes	Balance at end of the year
2020					
Paul Hopper	1,000,000	-	-	(720,000)	280,000
David Simmonds	-	-	-	-	-
David Phillips	-	-	-	-	-
Michael Baker (appointed 2 January 2020)	-	-	-	-	-
Stephen Carter (resigned 23 September 2019)	18,088,889	-	-	(18,088,889)	-
Joseph Ohayon	5,931,664			(5,694,397)	237,267
Carol Worth	80,000	-	-	(76,800)	3,200
Andrew Curtis (resigned 7 December 2019)	-	-	-	-	-

	Balance at beginning of period	Granted as remuneration	On Exercise of Options or conversion of convertible note	Net other changes	Balance at end of period or date of departure
2019					
Paul Hopper	-	-	-	1,000,000	1,000,000
David Simmonds	-	-	-	-	-
David Phillips	-	-	-	-	-
Stephen Carter	1,400,000	-	-	16,688,889	18,088,889
Carol Worth	40,000	-	-	40,000	80,000
Joseph Ohayon	500,000	-	-	5,431,664	5,931,664
Andrew Curtis	-	-	-	-	-
Nick Woolf (resigned 24 July 2018 and effective 23 October 2018)	-	-	-	4,306,667	4,306,667

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

DIRECTORS' REPORT

Option holdings of Key Management Personnel

	Balance at start of the period	Granted as compen-sation	Exercised	Other Changes	Balance at end of period	Vested and exercisable	Options vested during year
2020							
Paul Hopper	-	-	-	1,600,000	1,600,000	1,040,000	520,000
David Simmonds	-	-	-	-	-	-	-
David Phillips	-	-	-	-	-	-	-
Stephen Carter (resigned 23 September 2019)	15,844,443	-	-	(15,844,443)	-	-	-
Michael Baker[1] (appointed 2 January 2020)	-	2,800,000	-	-	2,800,000	1,200,000	1,200,000
Carol Worth	20,000	-	-	(19,200)	800	800	-
Joseph Ohayon	6,715,832	-	-	(6,447,199)	268,633	108,633	-
Andrew Curtis (resigned 7 December 2019)	-	-	-	-	-	-	-

Note 1: Dr Michael Baker was appointed CEO on 2 January 2020. He was assigned 2,800,000 one-off unlisted 4-year options on the commencement date of employment. Options were issued subject to the terms and conditions of the Company's Employee Share Option Plan (ESOP).

	Balance at start of the period	Granted as compen-sation	Exercised	Other Changes	Balance at end of period	Vested and exercisable	Options vested during year
2019							
Paul Hopper	-	-	-	-	-	-	-
David Simmonds	-	-	-	-	-	-	-
David Phillips	-	-	-	-	-	-	-
Stephen Carter[1]	7,500,000	-	-	8,344,443	15,844,443	8,344,443	8,344,443
Carol Worth[1]	-	-	-	20,000	20,000	20,000	20,000
Joseph Ohayon[1]	4,000,000	-	-	2,715,832	6,715,832	2,715,832	2,715,832
Andrew Curtis	-	-	-	-	-	-	-
Nick Woolf (resigned 24 July 2018 and effective 23 October 2018)	-	-	-	2,153,333	2,153,333	2,153,333	2,153,333

Note 1: Stephen Carter, Joseph Ohayon and Carol Worth participated in the rights issues of July 2018 and/or June 2019 and received attaching listed options (SUDOC and SUDOD) as outlined in the prospectus of 29 June 2018 and 3 June 2019 respectively. The options do not form part of their remuneration.

The terms of SUDOC options are: expiry date 31 July 2020, exercise price 36.75 cents.
The terms of SUDOD options are: expiry date 30 June 2021, exercise price 37.00 cents.

Transactions and balances with Key Management Personnel

	Consolidated	
	2020	2019
Key Management Personnel	$	$
Mr Paul Hopper - exclusivity fee in relation to independent transaction committee to assess acquisition	75,000	-
Mr Joseph Ohayon – interest on convertible notes	-	1,533
Mr Joseph Ohayon - interest on interim funding	-	927
Mr David Phillips – consulting fees payable	16,500	10,000
Mr Andrew Curtis – consulting fees payable	-	32,866
	91,500	45,326

END OF REMUNERATION REPORT

DIRECTORS' REPORT

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on the following page and forms part of this directors' report for the year ended 30 June 2020.

This report is made in accordance with a resolution of directors.

Paul Hopper
Director
25 September 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Suda Pharmaceuticals Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
25 September 2020

L Di Giallonardo
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CORPORATE GOVERNANCE STATEMENT

SUDA and the Board of Directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices and Corporate Governance Statement can be found on the Company's website, www.sudapharma.com under the About Us section. All these practices, unless otherwise stated, were in place for the entire year and comply with ASX Corporate Governance Principles and Recommendations and are contained in the Appendix 4G for the year ended 30 June 2020.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Notes	**2020**	2019
		$	$
Revenue from contracts with customers	2(b)	**532,690**	1,219,083
Other income		**142,850**	31,695
Interest income	2(c)	**43,513**	30,804
Cost of sales of goods		**(200,969)**	(199,688)
Employee benefits expenses		**(1,427,544)**	(1,186,083)
Depreciation and amortisation expense	2(c)	**(572,379)**	(471,128)
Impairment of intangible assets	12	**(5,937,532)**	(6,276,758)
Finance costs	2(c)	**(21,275)**	(125,062)
Other expenses	2(c)	**(3,150,831)**	(1,742,902)
Loss before income tax expense		**(10,591,477)**	(8,720,039)
Income tax benefit	3	**655,882**	925,000
Loss after income tax expense		**(9,935,595)**	(7,795,039)
Net loss for the year		**(9,935,595)**	(7,795,039)
Total comprehensive loss for the year		**(9,935,595)**	(7,795,039)
		Cents	Cents
Basic loss per share (cents per share)	5	(6.98)	(7.91)
Diluted loss per share (cents per share)	5	(6.98)	(7.91)

For comparison purpose, 2019 loss per share has been recalculated by using total number of shares post consolidation approved at the AGM on 12 November 2019.

The above 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 30 JUNE 2020

	Notes	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	6	**977,472**	4,313,562
Trade and other receivables	7	**869,168**	1,120,870
Inventories	8	**21,801**	45,409
Other current assets	9	**166,203**	115,278
Total current assets		**2,034,644**	5,595,119
Non-current assets			
Property, plant and equipment	10	**364,587**	367,370
Right-of-use assets	11	**57,044**	-
Intangible assets	12	**4,251,222**	10,290,825
Total non-current assets		**4,672,853**	10,658,195
Total assets		**6,707,497**	16,253,314
Liabilities			
Current liabilities			
Trade and other payables	13	**1,434,083**	1,106,411
Contract liabilities	2(b)	**333,002**	75,000
Provisions	14	**174,172**	130,947
Borrowings	15	**12,054**	36,206
Lease liabilities	11	**69,166**	-
Total current liabilities		**2,022,477**	1,348,564
Non-current liabilities			
Trade and other payables	13	**540,010**	910,353
Provisions	14	**5,350**	-
Borrowings	15	**4,240**	16,909
Total non-current liabilities		**549,600**	927,262
Total liabilities		**2,572,077**	2,275,826
Net assets		**4,135,420**	13,977,488
Equity			
Issued capital	17	**67,385,981**	67,385,981
Reserves		**1,629,979**	2,303,384
Accumulated losses		**(64,880,540)**	(55,711,877)
Total equity		**4,135,420**	13,977,488

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated	Issued capital $	Accumulated losses $	Share-based payment reserve $	Minority interest acquisition reserve $	Total equity $
Balance as at 1 July 2018	57,204,713	(47,916,838)	772,574	1,404,267	11,464,716
Shares issued during the year	10,686,735	-	-	-	10,686,735
Share issue costs	(505,467)	-	-	-	(505,467)
Equity settled share-based payments	-	-	126,543	-	126,543
Loss for the year	-	(7,795,039)	-	-	(7,795,039)
Total comprehensive loss for the year	**-**	**(7,795,039)**	**-**	**-**	**(7,795,039)**
Balance as at 30 June 2019	**67,385,981**	**(55,711,877)**	**899,117**	**1,404,267**	**13,977,488**
Opening balance	67,385,981	(55,711,877)	899,117	1,404,267	13,977,488
Equity settled share-based payments	-	-	93,527	-	93,527
Loss for the year	-	(9,935,595)	-	-	(9,935,595)
Total comprehensive loss for the period	**-**	**(9,935,595)**	**-**	**-**	**(9,935,595)**
Options lapsed during the year and transferred to accumulated losses	-	766,932	(766,932)	-	-
Balance as at 30 June 2020	**67,385,981**	**(64,880,540)**	**225,712**	**1,404,267**	**4,135,420**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
		2020	2019
	Notes	**$**	$
Cash flows from operating activities			
Receipts from customers		**952,261**	1,050,643
Payments to suppliers and employees		**(4,835,349)**	(4,308,928)
Interest paid		**(14,705)**	-
Receipt of government grants and tax incentives		**984,535**	745,000
Interest received		**33,050**	29,984
Finance costs		**(3,517)**	(12,187)
Net cash outflows from operating activities	6	**(2,883,725)**	(2,495,488)
Cash flows from investing activities			
Payments for property, plant and equipment		**(141,089)**	(312,715)
Payments for intangible assets		**(247,333)**	(1,071,603)
Net cash outflows from investing activities		**(388,422)**	(1,384,318)
Cash flows from financing activities			
Proceeds from issue of shares, net of capital raising fees		**-**	8,095,243
Proceeds from borrowings		**-**	140,000
Repayment of borrowings		**-**	(140,000)
Principal elements of lease payments		**(63,943)**	-
Net cash (outflow)/inflow from financing activities		**(63,943)**	8,095,243
Net (decrease)/ increase in cash and cash equivalents		**(3,336,090)**	4,215,437
Cash and cash equivalents at the beginning of the financial year		**4,313,562**	98,125
Cash and cash equivalents at the end of the financial year	6	**977,472**	4,313,562

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: BASIS OF PREPARATION

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Suda Pharmaceuticals Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia and operates in Australia and United States of America. The entity's principal activity is pharmaceutical development of drug delivery technology.

a. Statement of compliance

The financial report was authorised for issue on 25 September 2020.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

b. New and amended standards adopted by the Group

For the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information.

The impact on the accounting policies, financial performance and financial positions of the Group from the adoption of AASB 16 is detailed in Note 11.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

New Standard and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

c. Significant accounting estimates and judgements

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.

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.

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. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Impairment

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.

Capitalisation of internally developed project development

Distinguishing the research and development phases of a new project development and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Impairment of intangibles with indefinite useful lives and goodwill

The Company has a significant amount of intangible assets recorded on its statement of financial position. The Company annually tests the carrying value of these intangible assets for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause the Company to conclude that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Company's financial position.

The Group determines whether intangibles with indefinite useful lives and goodwill and impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 12.

Share-based payment transactions

The Group 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 either determined by an external valuer using a Binomial model, or internally using a Black-Scholes model, using the assumptions detailed in Notes 19.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

d. Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. This includes the continued development and commercialisation of the Group's current projects.

As disclosed in the financial statements, the Group incurred a loss of $9,935,595 and had operating cash outflows of $2,883,725 for the year ended 30 June 2020. As at 30 June 2020, the Group's held cash and cash equivalents of $977,472.

In the process of approving the Group's internal forecast and business plan for upcoming financial years, the board has considered the cash position of the Group within the next 12 months from the date of this report. On 3 July 2020, SUDA raised $3.56 million by issuance of 142,254,397 new shares and 47,418,378 attaching listed options (SUDOE) under the non-renounceable pro rata entitlement offer as announced on 3 July 2020. On 10 August 2020, the Company raised $0.53 million by issuance of 21,338,159 new shares under the placement prospectus announced on 3 August 2020.

Based on the above considerations, the board has assessed the resources and opportunities available to the Group, and consequently believe that the Group will be able to repay its debts as and when they fall due. The directors are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

COVID-19 has led to widespread restrictions on both national and international travel. To date, the Company's supply

chain has not been affected. Nevertheless, the risk that COVID-19 poses in terms of overwhelming health care

systems must be taken into account when factoring in programs that are at the clinical stage.

As a result of the COVID-19 outbreak, or similar pandemics, the Company may experience disruptions that could

severely impact the business in the following ways:

- delays or disruptions in supply chain for materials required for research and/or clinical trials;
- delays in the completion of research due to infection of key research personnel;
- delays enrolling patients into clinical trials;
- interruption or delays in the operations of regulatory bodies, including the U.S. Food and Drug Administration or Therapeutics Goods Administration, which may impact approval timelines;
- reduced ability to engage with the medical, pharmaceutical industry and investor communities due to the cancellation of conferences and travel bans, which may impact the ability to attract collaborators, potential industry partners and investors.

e. Basis of consolidation

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

- Has power of the investee;
- Is exposed, or has rights, to variable returns from its involvement in with the investee; and
- Has the ability to its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

NOTE 1: BASIS OF PREPARATION (CONTINUED)

- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non- controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTE 2: REVENUE AND EXPENSES

a. Accounting policy

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identifying the contract with a customer

Step 2: Identifying the performance obligations

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to the performance obligations

Step 5: Recognising revenue when/as performance obligation(s) are satisfied.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed, so "point in time" recognition or "over time" as control of the performance obligation is transferred to the customer.

For contacts with multiple components to be delivered such as research and development, clinical trials and regulatory submissions, management applies judgement to consider whether those promised goods and services are:

i. distinct -to be accounted for as separate performance obligations;

ii. not distinct -to be combined with other promised goods or services until a bundle is identified that is distinct or

iii. part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Transaction price

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the overtime criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

Disaggregation of revenue

The Group disaggregates revenue from contracts with customers by contract type, which includes:

i. licence and supply agreements; and,

ii. research and development income as management believe this best depicts the nature, amount, timing and uncertainty of the Group's revenue and cash flows.

Performance obligations

The nature of contracts or performance obligations categorised within this revenue type includes (i) licence and supply agreements; and, (ii) research and development income.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are, (i) substantially the same; and, (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., monthly or annual services)) and therefore treats the series as one performance obligation.

i. Signing of licence and supply agreements and research and development agreements. Revenues are recognised upon signing the agreements.

ii. Submission of regulatory applications and/or approvals by agreement partners. Revenues are recognised on submission of regulatory applications by agreement partners.

iii. Product sales by agreement partners. Revenues in form of royalties are recognised on product sales by agreement partners.

NOTE 2: REVENUE AND EXPENSES (CONTINUED)

iv. Completion of contract phases within research and development agreements. Revenues are recognised upon completion of contract phases within research and development agreements.

v. Undertaking research and development studies and project management. Revenues are recognised as research and development studies are performed and project managed.

Contract assets and contract liabilities

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

As a result the contracts which the Group enters into with its customers, a number of different assets and liabilities are recognised on the Group's balance sheet. These include but are not limited to: Trade receivable; Accrued income; and Deferred income. There has been no change in the accounting policies for these assets as a result of the adoption of AASB 15.

b. Revenue

	Consolidated	
	2020	2019
	$	$
Sales revenue from contract with customers		
Licence and supply agreements and research and development projects	**532,690**	1,219,083

The following table shows how much relates to license and development project revenue invoiced in the year and how much relates to performance obligations that were unsatisfied in the year:

	Consolidated	
	2020	2019
	$	$
Total research & development project and licence agreements invoiced amount	**865,692**	1,294,083
Partially or fully unsatisfied performance obligations	**(333,002)**	(75,000)
Total project revenue recognised at 30 June	**532,690**	1,219,083

The Group derives its revenue from the sale of goods and the provision at services at a point in time and over time in the following major categories: (i) licence and supply agreements; and, (ii) research and development income. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8.

	Consolidated	
	2020	2019
	$	$
At a point in time		
Licence and supply agreements	**174,663**	893,898
Over time		
Research and development income	**358,027**	325,185
Total revenue	**532,690**	1,219,083

c. Other Income and Expenses

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

	Consolidated	
	2020	2019
	$	$
Interest income	**43,513**	30,804

Other income

Government grants

The Group's other grant income is recognised when compliance with the conditions attached to the grant have been determined and the Group has ascertained the grant will be received. For the year ended 30 June 2020, the Group has included an item in other income of $142,850 (2019:$31,695).

The Group recognised $62,850 Export Market Development Grant (EMDG) (2019: $31,695) in other income. This is a key Australian Government financial assistance program for aspiring current exporters.

COVID-19 assistance of $80,000 includes the "Cashflow boost for employers" measure announced as part of the Australian Government's economic stimulus package of March 2020 as well as payroll tax refunds and deferrals provided by State Revenue Offices.

	Consolidated	
	2020	2019
	$	$
COVID-19 assistance	**80,000**	-
Export Market Development Grants (EMDG)	**62,850**	31,695
	142,850	31,695

NOTE 2: REVENUE AND EXPENSES (CONTINUED)

Depreciation and amortisation

	Consolidated	
	2020	2019
	$	$
Depreciation	**222,975**	121,724
Amortisation	**349,404**	349,404
	572,379	471,128

Finance income and costs

	Consolidated	
	2020	2019
	$	$
Finance costs	**6,570**	125,062
Interest expense - AASB 16	**14,705**	-
	21,275	125,062

Other expenses

	Consolidated	
	2020	2019
Other expenses	**$**	$
Write-off of obsolete stock	**23,608**	25,000
Share-based payment expense	**93,527**	-
Legal fees	**319,409**	19,323
Professional fees	**950,113**	482,567
Operating lease rental expense	**15,540**	111,970
Patent and trademark costs	**249,818**	120,838
Research costs	**228,778**	58,770
General and administrative	**628,438**	649,339
Investor relation costs	**213,411**	13,155
Audit and accounting fees	**129,564**	69,367
Insurances	**127,813**	47,002
Travel costs	**170,812**	145,571
Total other expenses	**3,150,831**	1,742,902

NOTE 3: INCOME TAX EXPENSE

a. Accounting policy

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

SUDA and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

SUDA recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 3: INCOME TAX EXPENSE (CONTINUED)

Research and Development Tax

The Research and Development Tax Incentive is recognised at its fair value where there is a reasonable assurance that the tax incentive will be received.

b. Income tax recognised in profit or loss.

The major components of tax expense are:	Consolidated	
	2020	2019
	$	$
Current tax	**(655,882)**	(925,000)
Total tax benefit	**(655,882)**	(925,000)

c. Numerical reconciliation of income tax expense to prima facie tax payable.

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	Consolidated	
	2020	2019
	$	$
Loss from continuing operations before income tax expense	**(10,591,477)**	(8,720,039)
Tax at the Australian tax rate of 27.5% (2019 - 27.5%)	**(2,912,656)**	(2,398,010)
Expenditure not allowed for income tax purposes	**45,117**	4,781
Research & Development Expenditure	**418,602**	584,770
Research & Development Offset	**(652,912)**	(925,000)
Additional Research & Development Offset from Prior Year	**(2,970)**	-
Deferred Tax Asset (Liability) movement not brought to account	**1,628,844**	1,551,440
Deferred Tax Asset losses not brought to account	**820,093**	257,019
Income tax expense	**(655,882)**	(925,000)

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

d. Numerical reconciliation of income tax expense to prima facie tax payable.

Unrecognised deferred tax balances of Australian income tax consolidated Group:	Consolidated	
	2020	2019
	$	$
• Unrecognised deferred tax asset – revenue losses	**10,192,500**	9,317,468
• Unrecognised deferred tax asset – capital losses	**1,709,337**	1,709,337
• Unrecognised deferred tax asset – other	**3,729,163**	2,221,654
• Unrecognised deferred tax equity	**76,802**	105,703
• Unrecognised deferred tax liabilities	**(706,392)**	(878,971)
Net unrecognised deferred tax asset	**15,001,410**	12,475,191

NOTE 4: SEGMENT REPORTING

a. Accounting policy

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

b. Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The Group has 2 main types of products and services by segment:

i. Suda: the pharmaceutical development segments and performs research and development to create new human pharmaceutical products by combining proven drugs with innovated, patented, delivery technologies.

ii. Malaria Research Company (MRC): pharmaceutical development segment for the treatment of malaria, i.e. ArTiMist® project.

NOTE 4: SEGMENT REPORTING (CONTINUED)

c. Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2020 and 30 June 2019.

	Continuing Operations		Unallocated items	Consolidated
	SUDA	MRC		
30 June 2020	$	$	$	$
Revenue				
Sales to external customers	532,690	-	-	532,690
Inter-segment sales (i)	41,277	-	-	41,277
	573,967	-	-	573,967
Inter-segment sales eliminated				(41,277)
Total segment revenue				532,690
Segment net operating loss after tax	(4,231,185)	(5,704,410)	-	(9,935,595)
Inter-segment expenses	(324,937)	-	-	(324,937)
	(4,556,122)	(5,704,410)	-	(10,260,532)
Inter-segment expenses eliminated				324,937
Total segment net operating loss after tax				(9,935,595)
Interest revenue	43,513	-	-	43,513
Interest expense	(6,570)	-	-	(6,570)
Depreciation	(222,975)	-	-	(222,975)
Amortisation	(349,404)	-	-	(349,404)
Impairment	(593,381)	(5,669,088)	-	(6,262,469)
Segment assets	9,715,483	-	-	9,715,483
Inter-segment assets eliminated				(3,007,986)
Total segment assets				6,707,479
Segment liabilities	2,572,100	254	-	2,572,354
Inter-segment liabilities eliminated				(277)
				2,572,077
Cashflow information				
Net cashflow from operating activities	(2,889,875)	6,150	-	(2,883,725)
Net cashflow from investing activities	(382,420)	(6,002)	-	(388,422)
Net cashflow from financing activities	(63,943)	-	-	(63,943)

	Continuing Operations		Unallocated items	Consolidated
	SUDA	MRC		
30 June 2019	$	$	$	$
Revenue				
Sales to external customers	1,219,083	-	-	1,219,083
Inter-segment sales (i)	323,130	-	-	323,130
	1,542,213	-	-	1,542,213
Inter-segment sales eliminated				(323,130)
Total segment revenue				1,219,083
Segment net operating profit/(loss) after tax	(1,465,797)	(6,639,364)	310,125	(7,795,036)
Interest revenue	30,804	-	-	30,804
Interest expense	(125,062)	-	-	(125,062)
Depreciation	(121,724)	-	-	(121,724)
Amortisation	(349,404)	-	-	(349,404)
Impairment	-	(6,276,758)	-	(6,276,758)
Segment assets	13,881,627	5,666,154	(974,985)	18,572,796
Inter-segment eliminations				(2,319,482)
Total segment assets				16,253,314
Segment liabilities	2,275,825	2,319,482	-	4,595,307
Inter-segment eliminations				(2,319,482)
				2,275,825
Cashflow information				
Net cashflow from operating activities	(2,473,189)	(37,669)	15,370	(2,495,488)
Net cashflow from investing activities	(1,042,396)	(341,922)	-	(1,384,318)
Net cashflow from financing activities	8,095,243	-	-	8,095,243

i. Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

NOTE 4: SEGMENT REPORTING (CONTINUED)

d. Other segment information

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than shown.

	Consolidated	
	2020	2019
	$	$
Australia	**77,238**	183,113
India	**26,316**	802,185
Europe	**254,473**	93,785
Singapore	**-**	140,000
Korea	**174,663**	-
Total revenue	**532,690**	1,219,083

e. Segment net operating profit

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating result after tax. A segment's net operating result after tax excludes non-operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated as 27.5% (2019: 27.5%) of the segment's net operating result.

f. Segment assets

In assessing the segment performance on a monthly basis, the executive management committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributable to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, derivative assets and deferred tax assets.

g. Segment liabilities

Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The executive management committee reviews the level of debt for each segment in the monthly meetings.

The Group has a number of customers to whom it provides both products and services. The Group supplied a single external customer in the pharmaceutical development segment that accounted for 21% of external revenue (2019: 66%). The next most significant client accounts for 19% (2019: 14%) of external revenue.

NOTE 5: LOSS PER SHARE

a. Accounting policy

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

b. Basic earnings/loss per share

	Consolidated	
	2020	2019
	Cents	Cents
Basic loss per share (cents per share)	**(6.98)**	(7.91)
Diluted loss per share (cents per share)	**(6.98)**	(7.91)

c. Reconciliations of earnings/loss used in calculating earnings per share

The earnings/loss and weighted average number of ordinary shares used in the calculation of basic earnings/loss per share and diluted earnings/loss per share is as follows:

	Consolidated	
	2020	2019
	$	$
Earnings/(Loss) from continuing operations	(9,935,595)	(7,795,039)

d. Weighted average number of shares used as the denominator

	Consolidated	
	2020	2019
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	142,254,865	98,581,593

For comparison purpose, 2019 loss per share has been recalculated by using total number of shares post consolidation approved at AGM on 12 November 2019.

In 2019-20 financial year, the Company completed the consolidation of its share capital on a one (1) for twenty-five (25) basis (the "Consolidation") during the current period (refer to Note 17) . The Consolidation was approved by shareholders at the Annual General Meeting of the Company held on 12 November 2019. As a result, 2019 has been adjusted to provide comparable information.

NOTE 6: CASH AND CASH EQUIVALENTS

a. Accounting policy

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	Consolidated	
	2020	2019
	$	$
Cash and cash equivalents	**977,472**	4,313,562

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

Short-term deposits are made for varying periods of between one and seven months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

b. Reconciliation to the Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

		Consolidated	
		2020	2019
	Notes	**$**	$
Loss for the year		**(9,935,595)**	(7,795,039)
Adjustments for non-cash items:			
Impairment	12	**5,937,532**	6,276,758
Inventory write down		**23,608**	25,000
Share-based payments		**93,527**	56,543
Interest payment settled by issue of shares		**-**	112,875
Non-cash government grant		**(80,000)**	-
Depreciation		**222,975**	121,724
Amortisation		**349,404**	349,404
Change in operating assets and liabilities:			
Decrease/(Increase) in trade receivables		**251,342**	(330,136)
Decrease/(Increase) in inventories		**-**	(39,865)
Increase/(Decrease) in trade and other payables		**564,512**	(1,356,981)
Increase/(Decrease) in other provisions		**(18,659)**	31,667
Decrease/(Increase) in other current assets		**27,038**	52,562
Increase/(Decrease) in legal settlement provision		**(319,409)**	-
Net cash outflow from operating activities		**(2,883,725)**	(2,495,488)

NOTE 7: TRADE AND OTHER RECEIVABLES

a. Accounting policy

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

	Consolidated	
	2020	2019
	$	$
Trade receivables net of allowance for expected credit losses (i)	**216,256**	195,870
R&D tax incentive receivable	**652,912**	925,000
	869,168	1,120,870

i. the average credit period on sales of goods and rendering of services is 60 days. All amounts are short term except when conditional on other party achieving a milestone. The carrying value of trade receivables is considered a reasonable approximation of fair value.

	2020	2019
Ageing of past due but not impaired	**$**	$
30 – 60 days	**49,222**	22,935
60 – 90 days	**73,249**	38,234
90 – 120 days	**-**	-
120 days +	**93,785**	15,062
Total	**216,256**	76,231

Allowance for expected credit losses		
Balance at the beginning of the year	**97,773**	97,773
Expected credit losses recognised on receivables	**-**	-
Total	**97,773**	97,773

NOTE 7: TRADE AND OTHER RECEIVABLES (CONTINUED)

b. Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers and to the credit worthiness of the customer.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2020 and 30 June 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst others is considered indicators of no reasonable expectation of recovery.

On the above basis, the expected credit losses for trade receivables as at 30 June 2020 was $97,773 (2019: $97,773).

NOTE 8: INVENTORIES

a. Accounting policy

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

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

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

	Consolidated	
	2020	2019
	$	$
Raw materials – at lower of cost and net realisable value	**21,801**	45,409

Inventory write-downs and obsolete stock charged to cost of sales totalled $23,608 (2019: $25,000).

NOTE 9: OTHER CURRENT ASSETS

a. Accounting policy

Accrued income

All income shall be invoiced and recorded when the service and/or materials have been provided. All income shall be recorded as accrued income if payment is expected within the next year.

If circumstances should dictate that the payment will not be received for a period greater than 12 months, such income shall be segregated and treated as a non-current receivable for recording and reporting purposes.

Prepayments

Prepayments are cash paid amounts that represent costs incurred from which a service or benefit is expected to be derived in the future.

The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. When the period arrives to which a prepaid cost relates the costs will be treated as a period cost for the period in question. Normally such prepaid costs will be written off based on the elapse of time.

Prepayments should be classified as current assets unless a portion of the prepayment covers a period longer than 12-months. If they are prepayment costs with a benefit beyond 12-months, they should be classified as deferred charges in the Statement of Financial Position.

	Consolidated	
	2020	2019
	$	$
Accrued income	**120,319**	50,000
Prepayments	**45,884**	65,278
	166,203	115,278

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

a. Accounting policy

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Leasehold improvements 3 - 5 years
- Plant and equipment 2 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

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.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Consolidated
Non-current

	Plant and equipment	Total
	$	$
Balance at 30 June 2019		
Cost	886,631	886,631
Accumulated depreciation	(519,261)	(519,261)
Net book amount	367,370	367,370
Year ended 30 June 2019		
Opening carrying value	169,445	169,445
Additions	319,649	319,649
Depreciation expense	(121,724)	(121,724)
Closing carrying value	367,370	367,370
Balance at 30 June 2020		
Cost	1,030,758	1,030,758
Accumulated depreciation	(666,171)	(666,171)
Net book amount	364,587	364,587
Year ended 30 June 2020		
Opening carrying value	367,370	367,370
Additions	141,089	141,089
Reclassification from intangible assets	3,038	3,038
Depreciation expense	(146,910)	(146,910)
Closing carrying value	364,587	364,587

NOTE 11: LEASES

a. Accounting policy

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on accumulated losses, and comparatives have not been restated.

The Group leases various premises. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, it recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 15%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised In the Statement of Financial Position as at 1 July 2019.

In the Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of $133,109 and lease liabilities of $133,109 in respect of all leases, other than short-term leases and leases of low-value assets. The net impact on accumulated losses on 1 July 2019 was $nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation 4;
- Accounting for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, with no right-of-use asset nor lease liability recognised;
- Relying on historic assessments of whether leases were onerous instead of performing impairment reviews of right-of-use assets immediately prior to the date of initial application of AASB 16;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Reconciliation of operating lease commitments previously disclosed and lease liabilities on 1 July 2019

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	1 July 2019
	$
Operating lease commitments as at 30 June 2019 (AASB 117)	152,634
Operating lease commitments discount based on the weighted average incremental borrowing rate of 15%	(19,525)
	133,109
Current lease liabilities (AASB 16)	(63,943)
Non-current lease liabilities (AASB 16)	(69,166)
Total lease liabilities (AASB 16)	(133,109)

NOTE 11: LEASES (CONTINUED)

b. Amounts recognised in the statement of financial position at 30 June 2020

The statement of financial position shows the following amounts relating to leases:

	Consolidated	
	2020	2019
Right-of-use assets	**$**	$
Properties	**57,044**	-
Lease liabilities		
Properties	**69,166**	-

c. Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	2020	2019
	$	$
Depreciation charge of right-of-use assets	**76,065**	-
Interest expenses AASB 16	**14,705**	-

The total cash outflow for leases in 2020 was $78,648.

d. The Group's leasing activities and how these are accounted for

At the start of the current accounting period, the Company has the following leased asset:

- Office lease at Ground floor & Level 1 Unit 12, 55 Howe Street, Osborne Park, Western Australia

Consolidated	
	Leased properties
	$
Right-of-use assets	
At 30 June 2020	
Cost at inception of AASB 16	133,109
Accumulated depreciation and impairment	(76,065)
Net book amount	57,044

	Leased properties
	$
Lease liabilities	
Year ended 30 June 2020	
Lease liabilities at inception of AASB 16	133,109
Lease payments	(78,648)
less finance charge (lease interest at 15%)	14,705
Closing lease liabilities balance	69,166

NOTE 12: INTANGIBLE ASSETS

a. Accounting policy

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives when available for use. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Capitalisation of internally developed project development

Distinguishing the research and development phases of a new project development and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTE 12: INTANGIBLE ASSETS (CONTINUED)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Consolidated	Patents	Development Costs	Total
	$	$	$
Year ended 30 June 2019			
Opening carrying value	-	15,398,790	15,398,790
Additions	132,358	1,385,839	1,518,197
Impairment	-	(349,404)	(349,404)
Amortisation	-	(6,276,758)	(6,276,758)
Closing carrying value	132,358	10,158,467	10,290,825
Year ended 30 June 2020			
Opening carrying value	132,358	10,158,467	10,290,825
Additions	-	247,333	247,333
Impairment	-	(5,937,532)	(5,937,532)
Amortisation	-	(349,404)	(349,404)
Closing carrying value	132,358	4,118,864	4,251,222

The Board assesses each project at balance date:

i. ArTiMist®

The Company has taken into consideration the notice of denial for marketing approval received in May 2019, assessed recoverable amount and recognised an impairment expense of $5,344,150 (2019: $6,276,758).

In March 2020 the Company sought legal and regulatory advice. The Board reached the decision that the Company would no longer commit resources to the project and all steps in seeking to obtain regulatory approval ended. The carrying value of ArTiMist® at reporting date had been written down to nil (2019: $5,338,148) which the Directors believe is a reasonable estimate of the recoverable amount. The impairment expense has been recognised in the statement of profit or loss and other comprehensive income.

ii. ZolpiMist®

The Company submitted a Marketing Authorisation Application (MAA) to the TGA for ZolpiMist® in April 2019. The Company, subsequent to the submission, made a strategic decision to register a supplemental active pharmaceutical ingredient (API) supplier and final product manufacturer which required amendment to the TGA submission. Completion of the TGA review was expected Q4 2020. During July 2020, the Company received approval of the registration of the Company's lead product ZolpiMist® (zolpidem tartrate) for the treatment of short-term insomnia in adults from the TGA.

The Company commenced amortising the carrying value on a straight-line basis from January 2018 over 10 years. In relation to additional costs in relation to ZolpiMist®, the recoverable amount has been determined based on a value-in-use calculation. The Company applied a discount rate to cash flow projections of 20%.

iii. Other projects

SUDA has made decisions to put a hold on the Ondansetron, Midazolam and Sildenafil (all pending assessment of co-development opportunities). Project development required resources in terms of personnel, time and financial support. The decision to focus on key projects was based on an assessment of available resources and the ability to develop high quality products. In June 2020, the Board decided to fully impair Ondansetron and Midazolam ($593,382).

NOTE 13: TRADE AND OTHER PAYABLES

a. Accounting policy

Trade payables and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

	Consolidated	
	2020	2019
Current	**$**	$
Trade payables (i)	732,073	480,405
Payroll tax and other statutory liabilities	181	-
Sundry payables and accrued expenses	292,731	238,070
Legal settlement (ii)	409,098	387,936
	1,434,083	1,106,411
Non-current		
Legal settlement (ii)	540,010	910,353

NOTE 13: TRADE AND OTHER PAYABLES (CONTINUED)

The Group has reclassified certain provisions in prior year comparatives in order to be consistent with the current year classification and presentation.

i. Trade payables are non-interest bearing and are normally settled on 30-45 day terms and include superannuation and PAYG.

ii. During June 2018, SUDA entered into a settlement agreement with the receiver for HC Berlin Pharma (HCBP). In March 2018, the Company announced that the German Court had dismissed an appeal lodged by SUDA against the Receiver of HCBP with respect to a failed in-kind capital contribution in June 2008. SUDA was found liable for the payment of €4,000,000 plus interest and costs and the Receiver had reserved his rights to apply to the Courts to have the liability increased to €8,000,000 plus interest and costs (quantum of the failed in-kind contribution).

The judgement against SUDA was made for half of the failed in-kind contribution or €4,000,000 plus 5% interest dating back from August 2008, as reported by SUDA in February 2017. The estimated total of this claim amounted to approximately €6,000,000 ($9,400,000) plus legal costs. Upon the judgement being made final the HCBP Receiver reserved his right to assert claim over the full €8,000,000 plus costs (approximately $12,000,000).

The settlement is for SUDA to pay €1,400,000 in respect of the claim, plus legal costs of €220,000, being a total of €1,620,000 (approximately $2,570,000). The Directors of SUDA believe that this is a very good outcome for the Company and its shareholders. The settlement quantifies the liability and removes uncertainty.

The initial payment was due and paid by September 2018 for €540,000 (approximately $855,000) with €250,000 payable by December 2020 and €330,000 payable by December 2021. The amount due has not been discounted to present value as the effect of this is not considered material.

NOTE 14: PROVISIONS

a. Accounting policy

Provisions provided to employees in respect of performance pay, annual leave and long service leave expected to be settled within 12 months of the balance date are recognised in current employee benefits provisions in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the provisions are settled.

Provisions provided to employees in respect of long service leave not expected to be settled within 12 months of the balance date are recognised in non-current employee benefits provisions in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

	Consolidated	
	2020	2019
Current employee benefits provisions	**$**	$
Performance pay provision	**53,625**	-
Provision for annual leave	**73,871**	105,933
Long service leave provision	**46,676**	25,014
	174,172	130,947
Non-current employee benefits provision		
Long service leave provision	**5,350**	-

NOTE 15: BORROWINGS

a. Accounting policy

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance lease assets are depreciated on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities.

NOTE 15: BORROWINGS (CONTINUED)

	Consolidated	
	2020	2019
	$	$
Current Secured		
Lease liability	**12,054**	36,206
Non-Current Secured		
Lease liability	**4,240**	16,909
Current secured lease liability and other borrowings		
Balance at beginning of period	**36,206**	2,023,412
Repayments	**(36,821)**	15,294
Reclassify non-current lease liability to current lease liability	**12,669**	-
Interest and redemption premium on convertible notes	**-**	153,525
Redemption of convertible notes inclusive of interest and redemption premium	**-**	(2,156,025)
Closing balance at end of year	**12,054**	36,206
Non-current secured lease liability		
Balance at beginning of period	**16,909**	26,171
Reclassify non-current lease liability to current lease liability	**(12,669)**	(9,262)
Closing balance at end of year	**4,240**	16,909

NOTE 16: CONTROLLED ENTITIES

Subsidiaries of Suda Pharmaceuticals Ltd	Country of Incorporation	Percentage owned	
		2020	2019
		%	%
Malaria Research Company Pty Ltd	Australia	100	100
Eastland CN Nominees Pty Ltd	Australia	100	100
Suda Europe Ltd	United Kingdom	100	100
Suda 18 Pty Ltd	Australia	100	100

NOTE 17: SHARE CAPITAL

a. Accounting policy - issued captial

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

	2020	**2020**	2019	2019
	Shares	**$**	Shares	$
Ordinary shares	**142,254,865**	**67,385,981**	3,556,371,635	67,385,981
- Fully paid	**142,254,865**	**67,385,981**	3,556,371,635	67,385,981
Total issued capital	**142,254,865**	**67,385,981**	3,556,371,635	67,385,981

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movement in ordinary shares on issue

	Number of shares	**Total**
Details		**$**
Opening balance 1 July 2018	1,224,141,804	57,204,713
Rights issue (August 2018)	1,357,817,329	6,789,087
Right issue (June 2019)	974,412,502	3,897,648
Share issue costs	-	(505,467)
Balance 30 June 2019	3,556,371,635	67,385,981
Share consolidation (i)	(3,414,116,770)	-
Balance 30 June 2020	142,254,865	67,385,981

i. SUDA completed the consolidation of its share capital ad options on a twenty-five (25) for one (1) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019.

b. Accounting policy - share options

The Company has two share-based payment options scheme under which options to subscribe for the Company's shares have been granted to certain Directors, other Key Management Personnel and other employees. Refer to Note 19 for the accounting policy on these share options.

The Company also has listed share option on issue which were free attaching options to previous rights issued and placements and also issued to brokers for these issues.

The free attaching options are not required to be valued; the option issued to brokers are valued and accounted for in a similar way to the employee options.

NOTE 17: SHARE CAPITAL (CONTINUED)

Movement in share options.

	2020		2019	
	Number of options	Exercise price $	Number of options	Exercise price $
Balance at beginning of year	1,243,614,755	0.0150	29,000,000	0.0287
Share options lapsed during the year			(7,500,000)	0.0228
Share options (SUDOC) issued during the year (i)			678,908,634	0.0147
Share options (SUDOC) issued during the year (ii)			20,000,000	0.0147
Share options issued during the year (iii)			6,000,000	0.0073
Share options (SUDOD) issued during the year (iv)			487,206,121	0.0150
Share options (SUDOD) issued during the year (v)			30,000,000	0.0150
Options consolidation (vi)	(1,193,870,418)	-		
Unlisted options issued during the year (vii)	520,000	0.1475		
Unlisted options issued during the year (vii)	520,000	0.1575		
Unlisted options issued during the year (vii)	560,000	0.1675		
Unlisted options issued during the year (viii)	1,200,000	0.0858		
Unlisted options issued during the year (viii)	800,000	0.0917		
Unlisted options issued during the year (viii)	800,000	0.0976		
Unlisted options lapsed during the year (ix)	(400,000)	-		
Balance as at 30 June	53,744,337	0.3507	1,243,614,755	0.0150

i. Listed Options were issued as attaching under the rights issue and placement in July 2018. The options are listed (SUDOC) with an exercise price of 0.015 which was subsequently adjusted following the rights issue in June 2019 to 0.0147 cents. The expiry date was 31 July 2020.

ii. Listed Options were issued in relation to part settlement of share issue costs to the broker for the July 2018 rights issue. The terms and conditions are as (i) above. Fair value at grant date was $40,000.

iii. Options issued under ESOP. For further details, see below.

iv. Listed Options were issued as attaching under the rights issue and placement in June 2019. The options are listed (SUDOD) with an exercise price of 0.015 and expiry date is 30 June 2021.

v. Listed Options were issued in relation to part settlement of share issue costs to the broker for the June 2019 rights issue. The terms and conditions are as (iv) above. Fair value at grant date was $30,000.

vi. SUDA completed the consolidation of its share capital and options on a twenty-five (25) for one (1) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019.

vii. 1,600,000 unlisted options were issued to Paul Hopper, Executive Chairman, under the Company's ESOP pursuant to resolution of shareholders at the Annual General Meeting held on 12 November 2019.

viii. 2,800,000 unlisted options were issued to Michael Baker, CEO, under the Company's ESOP as outline in the announcement of 27 November 2019.

ix. 400,000 unlisted options, issued to external consulting group RM Capital, expired on 26 April 2020.

There were 53,744,337 (2019: 1,243,614,755) share options outstanding at the end of the year with a weighted average exercise price of $0.35 (2019: $0.375) and a weighted average remaining contractual life was 248 days (2019: 538 days).

The fair value of the equity-settled share options granted during the year related to an employee share option plan and is estimated as at the date of grant using the Monte Carlo Simulation model taking into account the terms and conditions upon which the options were granted or the Black-Scholes model.

	ESOP 2017	ESOP 2019	ESOP 2020	ESOP 2020
30 June 2020				
Number of options (after consolidation)	460,000	240,000	1,600,000	2,800,000
Grant date	11 Dec 2017	31 Jan 2019	12 Nov 2019	2 Jan 2020
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	77.47%	159.1%	170.8%	184.8%
Risk-free interest rate (%)	1.97%	0.99%	2.5%	2.5%
Expected life of option (years)	3	3	3	4
Exercise price (cents)	57.00	18.25	15.78	9.21
Grant date share price (cents)	1.7	0.5	0.3	6.0
Fair value at grant date	51,388	12,446	55,979	108,663
Discount for lack of marketability	-	-	30%	30%

NOTE 18: RESERVES

Nature and purpose of reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 19 for further details of these plans.

Minority interest acquisition reserves

This reserve is used to record the differences described in note 1(e) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

NOTE 19: SHARE-BASED PAYMENT

a. Accounting policy

Equity settled transactions

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

There are currently two plans in place to provide these benefits:

i. the Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives;

ii. the Tax Exempt Plan under which eligible employees may be issued up to $1,000 of shares, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the using a Monte Carlo Simulation model, further details of which are given in Note 17.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Suda Pharmaceuticals Limited (market conditions) if applicable.

NOTE 19: SHARE-BASED PAYMENT (CONTINUED)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share, refer Note 5.

Share-based payment transactions:

The Group 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 either determined by an external valuer using a Binomial model, or internally using a Black-Scholes model, using the assumptions detailed in Notes 17.

Employee Share Option Plan (ESOP)

On 26 September 2017, the Directors adopted the following plans:

i. Employee Share Option Plan (Option Plan) under which Directors and executives and other employees may be offered the opportunity to be granted Options;

ii. Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares.

The vesting of Options under the terms of the Plans is dependent on both of the following performance conditions being satisfied:

i. Market capitalisation, and

ii. Continuous employment

The contractual life of each option granted is 3 years. Options can be settled by payment at the exercise price or a cashless exercise facility is available.

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments is disclosed in Note 2.

The following share-based payment arrangements for Directors, other Key Management Personnel and other employees were in place during the current year:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting date
				$	$	
Options	460,000	11 Dec 2017	10 Dec 2020	57.00 cents	51,388	Subject to performance conditions
Options	240,000	31 Jan 2019	30 Jan 2022	18.25 cents	12,446	Subject to continuous employment
Options	520,000	12 Nov 2019	14 May 2022	14.75 cents	18,193	15 May 2019
Options	520,000	12 Nov 2019	14 May 2022	15.75 cents	18,193	14 May 2020
Options	560,000	12 Nov 2019	14 May 2022	16.75 cents	19,593	14 May 2021
Options	1,200,000	2 Jan 2020	1 Jan 2024	8.58 cents	46,673	30 Jun 2020
Options	800,000	2 Jan 2020	1 Jan 2024	9.17 cents	31,034	30 Jun 2021
Options	800,000	2 Jan 2020	1 Jan 2024	9.76 cents	30,956	30 Jun 2022
	5,100,000					

* Number of options are after share and option consolidation.

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

The following table illustrates the number and weighted average exercise prices of and movements in share options, under the ESOP, issued during the year:

	2020		2019	
	Number	Weighted average exercise price $	Number*	Weighted average exercise price $
Outstanding at the beginning of year	2,300,000	1.23	760,000	0.57
Granted during the year (i)	2,800,000	0.09	1,840,000	0.16
Expired during the year	-	-	(300,000)	0.57
Outstanding at the end of year	5,100,000	0.16	2,300,000	1.23
Exercisable at the end of year	2,240,000	0.12	-	-

* SUDA completed a consolidation of its share capital on a one for twenty-five basis which was approved by shareholders at the AGM of the Company on 12 November 2019. 2019 number of options have been restated as numbers post consolidation.

(i) Michael Baker has been granted 2,800,000 options for his commencement as CEO on 2 January 2020.

Vesting conditions and expiry dates of these options are:

- 1,200,000 unlisted options exercisable at $0.0870, expiring: 1 January 2024
- 800,000 unlisted options exercisable at $0.0930, vesting after 30 June 2021 and expiring: 1 January 2024
- 800,000 unlisted options exercisable at $0.0990, vesting after 30 June 2020 and expiring: 1 January 2024

NOTE 19: SHARE-BASED PAYMENT (CONTINUED)

On 12 November 2019 1,600,000 unlisted options were approved to be granted to Paul Hopper.

Vesting conditions and expiry dates of options are:

- 520,000 unlisted options exercisable at $0.1475, expiring: 14 May 2022
- 520,000 unlisted options exercisable at $0.1575, expiring: 14 May 2022
- 560,000 unlisted options exercisable at $0.1675, vesting after 14 May 2021 and expiring: 14 May 2022

There were no share options outstanding at the end of the year.

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

NOTE 20: FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified at amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

		Consolidated	
		2020	2019
	Note	**$**	$
Financial assets			
Cash and cash equivalents	6	**977,472**	4,313,562
Trade and other receivables	7	**216,256**	195,870
R&D tax incentive receivable		**652,912**	925,000
		1,846,640	5,434,432
Financial liabilities			
Trade and other payables	13	**732,073**	480,405
Accruals	13	**292,731**	238,070
Borrowings	15	**16,294**	53,115
Legal settlement	13	**949,108**	1,298,289
Lease liabilities	11	**69,166**	-
		2,059,372	2,069,879

Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company receives a portion of its revenue in foreign currency, predominately US dollars and Euros. The Company is also indebted to HC Berlin Pharma receiver for €580,000 payable by 31 December 2021. There is a risk that adverse currency movements may negatively impact the Company.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Consolidated			
	Liabilities		Assets	
	2020	2019	**2020**	2019
	$	$	**$**	$
GBP	**60,192**	11,448	**235**	-
EUR	**1,002,798**	1,298,289	**-**	-
USD	**6,389**	15,895	**245,011**	108,703
	1,069,379	1,325,632	**245,246**	108,703

Foreign currency sensitivity analysis

The Group is exposed to GB Pounds (GBP) Euros (EUR) and US Dollar (USD) currency fluctuations.

The following table details the Group's sensitivity to a 5% increase and decrease in the Australian dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Consolidated	
	Profit	Equity
	$	$
Year ended 30 June 2020		
+/- 2% interest rates	**-**	**-**
+/- 5% in AUD / GBP	**(2,998)**	**2,998**
+/- 5% in AUD / EUR	**(50,140)**	**50,140**
+/- 5% in AUD / USD	**11,931**	**(11,931)**
Year ended 30 June 2019		
+/- 2% interest rates	10,000	(10,000)
+/- 5% in AUD / GBP	572	(572)
+/- 5% in AUD / EUR	64,914	(64,914)
+/- 5% in AUD / USD	(4,640)	4,640

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

This is mainly attributable to the exposure outstanding on USD, GBP and EUR currencies held at year end in the Group.

Interest rate risk management

The Company and the Group have minimised their exposure to interest rate risk as entities in the Group borrow funds at fixed interest rates.

The Company and Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note

Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTE 21: COMMITMENTS AND CONTINGENCIES

IT service agreement

The IT service agreement is a non-cancellable 3-year agreement for a fixed amount.

Future minimum rentals payable under this non-cancellable leases as at 30 June together with commitments in the prior year for property leases (which are now accounted for under AASB 16) are as follows:

	Consolidated	
	2020	2019
	$	$
Within one year	-	130,856
Later than one year but not later than five years	-	85,749
	-	216,605

Legal claim

HC Berlin Pharma AG - The Company entered into a settlement agreement with the Receiver of HC Berlin Pharma AG on 28 June 2018 for a settlement amount of €1,620,000 (approximately $2,570,000) payable in instalments up to 31 December 2021. Under the terms of the agreement, if the Company does not meet the payment for each instalment within 10 calendar days after the due date of the instalment date, then the total claim of €8,000,000 plus interest and costs less amounts paid to date becomes due and payable. To 30 June 2020, the Company has paid $1,620,892 (2019: $1,271,711) in accordance with the settlement agreement.

NOTE 22: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of SUDA Pharmaceuticals Limited and the subsidiaries listed in the following table.

	Country of incorporation	Percentage owned	
		2020	2019
Malaria Research Company Pty Ltd	Australia	100%	100%
Eastland CN Nominees Pty Ltd	Australia	100%	100%
Suda Europe Ltd	United Kingdom	100%	100%
SUD 18 Pty Ltd	Australia	100%	100%

SUDA Pharmaceuticals Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Transactions with Key Management Personnel

Refer to Note 26 for details of transactions with key management personnel.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

NOTE 23: PARENT ENTITY DISCLOSURES

a. Accounting policy

The financial information for the parent entity, SUDA, disclosed below has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTE 23: PARENT ENTITY DISCLOSURES (CONTINUED)

Financial position

	2020	2019
	$	$
Assets		
Current assets	**2,037,022**	5,595,087
Non-current assets	**4,669,815**	8,286,540
Total assets	**6,706,837**	13,881,627
Liabilities		
Current liabilities	**2,022,500**	1,348,563
Non-current liabilities	**549,600**	927,262
Total liabilities	**2,572,100**	2,275,825
Equity		
Issued capital	**67,385,981**	67,385,981
Share-based payments	**225,712**	899,117
Accumulated losses	**(63,476,956)**	(56,679,296)
Total equity	**4,134,737**	11,605,802
Total loss and total comprehensive loss	**(7,564,109)**	(1,465,314)

Guarantees

SUDA has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities and commitments of the parent entity

For details on commitments, see note 21.

NOTE 24: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 July 2020, Dr Michael Baker was appointed as director of the Company.

On 1 July 2020, the Company appointed Mr Phillip Hains from "The CFO Solution" as Joint Company Secretary with Mr Joseph Ohayon. Mr Joseph Ohayon resigned as Company Secretary on 18 August 2020 and will resign from the Company on 25 September 2020.

On 28 July 2020, the Therapeutics Goods Administration (TGA) approved the registration of the Company's lead product ZolpiMist® (zolpidem tartrate) for the treatment of short-term insomnia in adults.

On 5 August 2020, the Company completed a 1 for 1 non-renounceable entitlement offer of fully paid ordinary shares and 1 option for every 3 new shares issued with an exercise price of $0.05 and an expiry date of 31 July 2022 to raise $3.56 million. The total allotment and issuance was 142,254,397 new shares and 47,418,378 attached listed options (SUDOE) under the non-renounceable pro rata entitlement offer.

On 10 August 2020, the Company raised $0.53 million by issuance of 21,338,159 new shares under the placement prospectus announced on 3 August 2020.

There has been no additional matter or circumstance that has risen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

NOTE 25: REMUNERATION OF AUDITORS

The auditor of Suda Pharmaceutical Ltd is HLB Mann Judd.

	Consolidated	
	2020	2019
	$	$
Audit and review of the financial statements	52,488	56,000
Total remuneration for audit and other assurance services	52,488	56,000

NOTE 26: DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

Directors

Paul Hopper	Non-Executive Chairman
David Simmonds	Non-Executive Director
David Phillips	Executive Director
Michael Baker	Executive Director (CEO appointed to Executive Director on 1 July 2020)
Stephen Carter	Executive Director (resigned 23 September 2019)

Executives

Dr Carol Worth	Chief Technical Officer
Joseph Ohayon	Chief Financial Officer, Company Secretary (resigned 18 August 2020)
Andrew Curtis	VP, Business Development and Alliance Management (resigned 7 December 2019)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTE 26: DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

Transactions and balances with Key Management Personnel

	Consolidated	
	2020	2019
	$	$
Key Management Personnel		
Mr Stephen Carter - interest on convertible notes (note 1)	**-**	3,833
Mr Stephen Carter - interest on interim funding (note 2)	**-**	905
Mr Joseph Ohayon - interest on convertible notes (note 1)	**-**	1,533
Mr Joseph Ohayon - interest on interim funding (note 2)	**-**	927
Mr David Phillips - consulting fees payable	**16,500**	10,000
Mr Andrew Curtis - consulting fees payable	**-**	32,866
Mr Paul Hopper - exclusivity fee in relation to independent transaction committee to assess acquisition during the year	**75,000**	-

Note 1: Convertible notes held by Stephen Carter and Joseph Ohayon were redeemed in July 2018 as outlined in the prospectus dated 29 June 2018.

Note 2: In 2019 both Mr Carter and Mr Ohayon provided interim funding of $20,000 each to the Company which was repaid.

The aggregate compensation made to Directors and other key management personnel of the Group is set out below:

	Consolidated	
	2020	2019
	$	$
Short-term employee benefits	1,432,948	1,205,572
Post-employment benefits	67,885	75,507
Share-based payments	93,527	44,092
	1,594,360	1,325,171

DIRECTORS' DECLARATION

1. In the opinion of the directors of SUDA PHARMACEUTICALS Limited (the 'Company'):

    a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

        i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and

        ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

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

Paul Hopper
Executive Chairman

Dated this 25 day of September 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of Suda Pharmaceuticals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Suda Pharmaceuticals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Revenue from contracts with customers Refer to Note 2 of the financial report	
During the current year, the Group recognised significant revenue from contracts with customers in relation to licence and supply agreements and research and development projects. We have considered this to be a key audit matter as accounting for revenue transactions is important to the users' understanding of the financial statements we well as ensuring that AASB 15 *Revenue from Contracts with Customers* has been properly applied.	Our procedures included but were not limited to the following: - We evaluated management's processes and key controls around revenue recognition; - We ensured that recognition of revenue is consistent with the requirements of AASB 15; - We considered management's assessment of the status of the contracts with customers at balance date; and - We ensured that disclosures in the financial report were in accordance with AASB 15.
Carrying amount of intangible assets Refer to Note 12 of the financial report	
Included within the intangible assets balance of $4,251,222 at balance date are intellectual property acquired separately and internally generated intangibles. A total impairment charge of $5,937,532 has been recorded during the year ended 30 June 2020, of which $5,344,150 related to the ArTiMist project. In accordance with AASB 138 *Intangible Assets*, the Group capitalises acquisition costs of intellectual property acquired separately, and accounts for costs incurred after recognition relating to the research phase by expensing such costs and capitalising the development phase costs when the recognition criteria contained in AASB 138 are satisfied. The balance of $4,251,222 includes the following: - an amount of $589,852 relating to an intangible asset which is not yet available for use. The evaluation of the recoverable amount of this asset is considered a key audit matter as it is based upon a value-in-use calculation which required significant judgement in verifying the key assumptions supporting the expected discounted future cash flows of that asset; and - an amount of $3,661,370 relating to other projects which are available for use and which are being amortised. This amount is tested for impairment only if it is considered that there are impairment indicators present. This is considered to be a key audit matter because this asset represents a significant balance in the statement of financial position and the assessment of whether any impairment indicators existed involves considerable judgement.	Our procedures included but were not limited to the following: - We obtained an understanding of the key controls associated with the preparation of the models used to assess the recoverable amount of the intangibles; - We critically evaluated management's methodology in the value-in-use model and the basis for key assumptions such as discount rate; - We performed sensitivity analyses around the key inputs used in the cash flow forecasts that either individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions arising; - We reviewed the mathematical accuracy of the value-in-use model; - We compared the resulting value-in-use to the carrying value of the assets comprising the CGU; - We assessed the appropriateness of the disclosures included in the relevant notes to the financial report; and - We considered management's assessment of whether any impairment indicators existed.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Suda Pharmaceuticals Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo

L Di Giallonardo
Partner

Perth, Western Australia
25 September 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1/9/2020.:

a. Distribution of equity securities

	Number		
Holding	**Ordinary Shares**	**Listed Options (SUDOD)**	**Listed Options (SUDOE)**
1 - 1,000	700	214	62
1,001 - 5,000	749	169	161
5,001 - 10,000	489	92	85
10,001 - 100,000	1,264	162	259
100,001 – and over	498	37	102
Total	3,700	674	669

The number of shareholdings held in less than marketable parcels is 3,700. The number of option-holdings held in less than marketable parcels is 674 (SUDOD) and 669 (SUDOE).

There were no substantial shareholders as at the reporting date.

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Listed options: Listed options will only rank pari passu with existing Ordinary Shares on exercise of the Listed Options into Ordinary Shares.

b. Equity security holders

20 Largest Shareholders - Ordinary Shares

Rank	Name	Ordinary Shares	% of Number held issued shares
1	UBS NOMINEES PTY LTD	8,485,693	2.77
2	KAMALA HOLDINGS PTY LTD	6,600,000	2.16
3	SCINTILLA STRATEGIC INVESTMENTS LIMITED	6,000,000	1.96
4	BAMBER INVESTMENTS PTY LTD	3,976,184	1.30
5	SEMPAI INVESTMENTS PTY LTD	3,400,000	1.11
6	MR JAMES BRADLEY RICHARDSON	3,325,196	1.09
7	MR STEVE JOHN WICKS	3,036,572	0.99
8	DYLIDE PTY LTD	3,000,000	0.98
9	MBANTUA HOLDINGS PTY LTD	3,000,000	0.98
10	MR PETER NORMAN DUNN RMB	2,922,966	0.96
11	MR MARK ANDREW DUNCAN-SMITH	2,845,931	0.93
12	BANLAN PTY LTD	2,840,262	0.93
13	MR JAMES ANTHONY GOMEZ	2,587,313	0.85
14	MR KEVIN CLIFFORD BANKS + MRS JANNE PAMELA BANKS	2,552,332	0.83
15	MR STEVE JOHN WICKS	2,535,772	0.83
16	BILL BROOKS PTY LTD	2,478,236	0.81
17	MR THOMAS PAUL MCGELLIN + MS TANYA MARGARET KARAL	2,430,860	0.79
18	MR BRETT MICHAEL BUSSELL + MRS JENELLE HELEN BUSSELL	2,401,082	0.79
19	BT GLOBAL HOLDINGS PTY LTD	2,400,000	0.78
20	MR DAVID CURZON SMITH + MRS DIANE MAURINE SMITH	2,286,891	0.75
		69,105,290	22.59

20 Largest Option holders - SUDOD

Rank	Name	Number of Listed Options (SUDOD)	% Held of Issued Listed Options (SUDOD)
1	ZERRIN INVESTMENTS PTY LTD	1,300,000	6.28
2	MR BRETT MICHAEL BUSSELL + MRS JENELLE HELEN BUSSELL	1,177,973	5.69
3	MR BRADLEY THOMAS SLADE	1,050,000	5.08
4	M & K KORKIDAS PTY LTD	864,292	4.18
5	MR BINH VAN TO	676,666	3.27
6	MR KONSTANTINOS BAGIARTAKIS	673,221	3.25
7	MS KATHRYN SILAS	668,054	3.23
8	MR BARRY MARTIN LAMBERT + MRS JOY WILMA LILLIAN LAMBERT	600,000	2.90
9	MR BRETT BUSSELL	561,200	2.71
10	KAMALA HOLDINGS PTY LTD	548,666	2.65
11	SCINTILLA STRATEGIC INVESTMENTS LIMITED	533,333	2.58
12	ROOKHARP CAPITAL PTY LIMITED	500,000	2.42
13	MR DENNIS GREGORY SCOTT + MRS COLETTE THERESA SCOTT	450,000	2.18
14	MR DAVID JOHN LEADBETTER	276,261	1.34
15	MR JAMES BRADLEY RICHARDSON	250,000	1.21
16	BAMBER INVESTMENTS PTY LTD	247,023	1.19
17	MR KENNETH GRAHAM MILLER	240,589	1.16
18	MR JOHN BRIGHT	220,000	1.06
19	MR GEOFFREY WATSON	200,800	0.97
20	MS GIOVANNA LINA GAN	200,000	0.97
		11,238,078	54.32

20 Largest Option holders - SUDOE

Rank	Name	Number of Listed Options (SUDOE)	% Held of Issued Listed Options (SUDOE)
1	UBS NOMINEES PTY LTD	2,549,474	5.38
2	SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,333,334	4.92
3	KAMALA HOLDINGS PTY LTD	1,533,334	3.23
4	ZERRIN INVESTMENTS PTY LTD	1,000,000	2.11
5	BAMBER INVESTMENTS PTY LTD	992,062	2.09
6	MR PETER NORMAN DUNN	949,334	2.00
7	SEMPAI INVESTMENTS PTY LTD	733,334	1.55
8	MR JAMES BRADLEY RICHARDSON	720,000	1.52
9	HELLOEDDY PTY LTD	700,000	1.48
10	DYLIDE PTY LTD	666,667	1.41
11	MR JEREMY CYRUS STEVENSON + MRS LORRAINE KATARINA STEVENSON	635,339	1.34
12	TADEA PTY LTD	633,334	1.34
13	MR JAMES ANTHONY GOMEZ	594,249	1.25
14	MR MARK ANDREW DUNCAN-SMITH	592,903	1.25
15	EQUITY TRUSTEES SUPERANNUATION LIMITED	590,445	1.25
16	MR STEVE JOHN WICKS	562,762	1.19
17	MR DO SHIK HONG + MRS CHUN SOOK HONG	556,867	1.17
18	WERINGA NOMINEES PTY LTD	542,667	1.14
19	MR BRADLEY DENNIS SCOTT	500,000	1.05
20	MBANTUA HOLDINGS PTY LTD	500,000	1.05
		17,886,105	37.72

SHAREHOLDER INFORMATION (CONTINUED)

20 Largest Option holders - SUDOC (expired on 31/7/2020)

Rank	Name	Number of Listed Options (SUDOC)	% Held of Issued Listed Options (SUDOC)
1	MR BRETT BUSSELL	1,207,152	4.32
2	KAMALA HOLDINGS PTY LTD	1,146,000	4.10
3	SCINTILLA STRATEGIC INVESTMENTS LIMITED	1,000,000	3.58
4	BAMBER INVESTMENTS PTY LTD	994,947	3.56
5	MR THOMAS MCGELLIN	980,000	3.51
6	MS NOR AZIZAH MOHAMED IBRAHIM	929,933	3.33
7	MRS MARGARET PAINE	673,071	2.41
8	MR JAMES BRADLEY RICHARDSON	591,210	2.11
9	MR PETER ROBERT PAINE	561,200	2.01
10	MR STEVE JOHN WICKS	529,593	1.89
11	MRS SARAH KATHERINE MCQUALTER	500,000	1.79
12	MR ABDULKADIR ASLAN	500,000	1.79
13	MR ROBERT BERTOLINI + MRS SHARON BERTOLINI + MR JOHN	440,000	1.57
14	ETTORE BERTOLINI	430,666	1.54
15	MR RICHARD STANFORD PARRY	416,974	1.49
16	FOSKIN PTY LTD	400,000	1.43
17	BANLAN PTY LTD	400,000	1.43
18	WATTLEBROOK SUPER PTY LTD	360,000	1.29
19	MR PAUL JONATHAN WRIGHT	328,666	1.18
20	MR JONATHAN GAN	324,941	1.16
		12,714,353	45.49

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