Appendix 4D

1. Company Details

Name of Entity

Zelira Therapeutics Limited		
ABN	Half year ended ("current period")	Half year ended ("previous period")
27 103 782 378	31 December 2020	31 December 2019

2. Results for announcement to the market

			AUD $
2.1 Revenues from ordinary activities	Up	589% to	90,960
2.2 Profit / (loss) from ordinary activities after tax attributable to members - 31 December 2019: loss of ($2,575,159)	Up	40% to	(3,594,626)
2.3 Net profit / (loss) for the period attributable to members - 31 December 2019: loss of ($2,575,159)	Up	40% to	(3,594,626)

2.4 Dividends	Amount per security	Franked amount per security
Interim dividend declared	N/A	N/A
2.5 Record date for determining entitlements to the dividend		N/A

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood

During the period to 31 December 2020, the Company continued its commercialisation plans and focused on the launch of multiple products into global markets.

During the half year, Zelira accelerated its transition to the 'Launch, Learn and Develop' model for rapid commercialisation. These include the approval for sale of Zenivol™ and HOPE™ range of products by the TGA in Australia; the expansion of HOPE ™ range of products to new markets in the USA and the launch of a new Over the Counter natural fluoride free CBD Toothpaste in the USA.

3. Net tangible assets per security	31 December 2020	31 December 2019
Net tangible asset backing per ordinary security	0.008	0.003

4. Details of entities over which control has been gained or lost

4.1. Control gained over entities

N/A

4.2. Control lost over entities

N/A

5. Dividends

Individual dividends per security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:				
Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

N/A	
The last date(s) for receipt of election notices for the dividend or distribution plans.	N/A

7. Details of associates and joint entities

N/A

8. Foreign entities

N/A

9. If the accounts are subject to audit dispute or qualification, details are described below.

N/A

Sign here:  Date: 22 February 2021

Managing Director

Print Name: Oludare Odumosu

Zelira Therapeutics Limited

ABN 27 103 782 378

Half-Year Financial Report
31 December 2020

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CORPORATE DIRECTORY

CHAIRMAN
Osagie Imasogie

MANAGING DIRECTORS
Dr Richard Hopkins (excluding USA)
Oludare Odumosu (USA)

NON-EXECUTIVE DIRECTORS
Harry Karelis (Deputy Chair)
Jason Peterson
Lisa Gray

COMPANY SECRETARY
Tim Slate

PRINCIPAL & REGISTERED OFFICE
Level 26, 140 St George's Terrace
PERTH WA 6000
Telephone: (08) 6558 0886
Facsimile: (08) 6316 3337

AUDITORS
HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

SHARE REGISTER
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000
Telephone: (08) 08 9323 2000
Facsimile: (08) 9323 2033

SECURITIES EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: ZLD

USA
OTCQB
Code: ZLDAF

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Osagie Imasogie	Chairman
Harry Karelis	Deputy Chairman
Richard Hopkins	Managing Director (excluding USA)
Oludare Odumosu	Managing Director (USA)
Jason Peterson	Non-Executive Director
Lisa Gray	Non-Executive Director

Business performance

Zelira's commercialisation plans were focused on the launch of multiple products into global markets in the second half of 2020. During the half year, Zelira accelerated its transition to the 'Launch, Learn and Develop' model for rapid commercialisation. These include the approval for sale of Zenivol™ and HOPE™ range of products by the Therapeutics Goods Administration (TGA) in Australia, the expansion of HOPE ™ range of products to new markets in the USA and the launch of a new natural fluoride free Over the Counter CBD Toothpaste in the USA.

Key milestones included the successful approval and launches of Zenivol™ and HOPE™ in Australia and an Observational Trial for HOPE™ targeting patients diagnosed with Autism, which will be one of the largest of its kind ever undertaken. Zelira also continued to expand its commercial activities in the USA with a new licensing deal announced for HOPE™ in Washington DC and the launch of a proprietary CBD toothpaste.

Zenivol™ Launched in Australia as the world's most clinically validated cannabinoid-based treatment for chronic insomnia

Following the successful clinical trial, Zelira announced in September 2020 that Zenivol™, its proprietary cannabinoid medicine, was approved by the TGA for prescription to patients in Australia via its Special Access Scheme.

Zenivol™ had successfully completed a world-first twenty-three patient randomised, double-blind, cross-over designed Phase 2A clinical trial in patients suffering from chronic insomnia. The results confirm that Zenivol™ is a safe and effective therapy for chronic insomnia.

Zelira Therapeutics Expands HOPE™ Distribution to Louisiana and Washington DC, USA

In August 2020, Zelira launched HOPE™ 1 & 2 in the state of Louisiana, USA. The launch was undertaken by Zelira's licensee Advanced Biomedics. Under the terms of the licensing agreement, Zelira received an up-front payment and will receive revenue from ongoing royalties from HOPE™ sales in Louisiana.

In December 2020 Zelira announced it has entered into a binding licensing agreement with Alternative Solutions LLC, a licensed grower, manufacturer and distributor of medical cannabis products in the District of Columbia (Washington DC) to manufacture and distribute Zelira's HOPE™ products. Under the terms of the licensing agreement, Zelira will receive licensing fees and ongoing royalties from HOPE™ product sales in Washington DC.

Washington DC has reciprocity with 32 other states in the USA with approved medical cannabis programs. This expands access to patients registered in all the 32 states as they can legally purchase medical cannabis products at an approved dispensary in Washington DC.

HOPE™ Autism Products Launched in Australia as TGA Adds to Special Access Scheme

In late October 2020, Zelira announced that its proprietary cannabinoid medicines, HOPE 1™ and HOPE 2™, were available for prescription to patients in Australia through the Therapeutic Goods Administration's (TGA) Special Access Scheme and via Authorised Prescribers. Manufacturing of the first batch of both products was successfully completed by Tasmanian Alkaloids in November 2020.

DIRECTORS' REPORT

HOPE™ is part of Zelira's family of revenue generating medicinal cannabis formulations. The products consist of two pharmaceutical-grade proprietary formulations developed as pharmaceutical-grade products targeting Autism Spectrum Disorder (ASD) as a disease indication.

Zelira Partners with Emyria for Autism Observational Trial for HOPE™ Products

To support the Australian launch of HOPE™, in November 2020 Zelira partnered with Emyria to undertake an Observational Trial in patients diagnosed with Autism Spectrum Disorder (ASD) treated with the HOPE range of products.

The 150 patient Observational Trial will be one of the largest medicinal cannabis studies ever undertaken involving a specific range of products in patients diagnosed with ASD. The study design will facilitate strategic engagement with key stakeholders in the Autism community and streamline patient access via Emyria's national network of specialist medical clinics – Emerald Clinics.

Under the terms of the agreement, Emyria will provide Zelira with real-world longitudinal data collected from ASD patients prescribed a HOPE™ product. Data will include patient's efficacy and safety relating to co-morbidities, concomitant medications, dosing information and patient responses to HOPE™ treatment as measured using standard ASD clinical and behavioural endpoints.

Zelira Partners with SprinJene® to Launch CBD Toothpaste in United States

In September 2020, Zelira formed an Oral Health subsidiary to commercialise scientifically formulated, hemp-derived cannabinoid-based oral-care products. In December 2020 Zelira announced the launch of its proprietary CBD toothpaste in the USA in partnership with SprinJene®, a leader in natural oral care products.

Corporate

In August 2020, Zelira successfully completed an oversubscribed $8.75 million placement (before costs) via the issue of circa 175,000,000 fully paid ordinary shares at an issue price of $0.05 a share to Australian and USA-based sophisticated and institutional investors (Placement).

On the 11 August 2020, the Company issued the following options to Dr Oludare Odumosu as approved in the General Meeting on 21 July 2020:

- 5 million @ 10 cents per share - vested immediately and expiring on 11 August 2023;
- 5 million @ 15 cents per share - vested on 2 December 2020 and expiring on 11 August 2023;
- 5 million @ 20 cents per share - vested 2 December 2020 and expiring on 11 August 2023;
- 5 million @ 28 cents per share - vesting on 2 December 2021 and expiring on 11 August 2023; and
- 5 million @ 30 cents per share - vesting on 2 December 2021 and expiring on 11 August 2023.

In September 2020, Zelira completed a subsequent placement of $2 million to the Thorney Investment Group (Thorney Placement) which increased their holding to a substantial investor with a 5.2% stake in the Company. Under the Thorney Placement the Company issued 37,037,000 new shares at an issue price of $0.054 per share. Following shareholder approval at Zelira's Annual General Meeting in November, the Company issued Thorney Investment Group a one-for-one free attaching unquoted option, exercisable at $0.07 and expiring 13 November 2022.

Also, in September 2020, the Company issued 20,000,000 options pursuant to the Employee Share Option Plan ("ESOP"). As follows:

- 4 million @ 10 cents per share - vested on 9 November 2020 and expiring on 11 September 2023;
- 4 million @ 15 cents per share - vesting on 9 November 2021 and expiring on 11 September 2023;
- 4 million @ 20 cents per share - vesting 9 November 2021 and expiring on 11 September 2023;
- 4 million @ 28 cents per share - vesting 9 November 2022 and expiring on 11 September 2023; and
- 4 million @ 30 cents per share - vesting 9 November 2022 and expiring on 11 September 2023.

DIRECTORS' REPORT

Subsequent to the end of the half year, on 20 January 2021, the Company announced it had issued 20,000,000 US Employee Share Option Plan ("US ESOP") Options pursuant to the US ESOP as follows:

- 4 million @ 10 cents per share - vested immediately and expiring on 20 January 2024;
- 4 million @ 15 cents per share - vesting 3 March 2021 and expiring on 20 January 2024;
- 4 million @ 20 cents per share - vesting 3 March 2021 and expiring on 20 January 2024;
- 4 million @ 28 cents per share - vesting 3 March 2022 and expiring on 20 January 2024; and
- 4 million @ 30 cents per share - vesting 3 March 2022 and expiring 20 January 2024.

On 15 February 2021, the Company announced that as part of a strategic consolidation of Zelira's operations, leadership will transfer to the United States based team and Dr Oludare Odumosu will now assume the role of global Managing Director. Dr Richard Hopkins will step down as Chief Executive Officer and Managing Director ex-USA effective 15 May 2021.

Review of Operations

During the period ended 31 December 2020, Zelira Therapeutics Limited ("Zelira" or "the Group") reported a net loss after tax attributable to the members of Zelira Therapeutics Limited of $3,594,626 (31 December 2019: $2,575,159).

About the business

Zelira Therapeutics Ltd is a leading global therapeutic medical cannabis company with access to the world's largest and fastest growing cannabis markets. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to enter global markets from 2020. The Group is focused on developing branded cannabis products for the treatment of a variety of medical conditions.

The Group is undertaking product development programs targeting specific conditions and human clinical trial programs focused on insomnia, autism and opioid reduction in patients with chronic non-cancer pain.

The Group has developed two proprietary formulations (HOPE™) targeting Autism Spectrum Disorder already launched and generating revenues in Pennsylvania and Louisianna and Australia. Zelira has also launched Zenivol™ in Australia as the world's leading clinically validated proprietary formulation for treatment of chronic insomnia.

The Group conducts this work in partnership with world-leading researchers and organizations including Curtin University in Perth, Western Australia; the Telethon Kids Institute in Perth; the University of Western Australia, in Perth; St. Vincent's Hospital in Melbourne, Australia; and the Children's Hospital of Philadelphia (CHOP) in the United States.

Cash flow

The Group's cash at bank was $8,641,174 at 31 December 2020 (31 December 2019: $1,194,726).

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 review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2020.

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

Oludare Odumosu
Managing Director
22 February 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Zelira Therapeutics Limtied for the half-year ended 31 December 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 review; and

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

Perth, Western Australia
22 February 2021

B G McVeigh
Partner

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 $	31 December 2019 $
Continuing operations			
Revenue	3	90,503	-
Cost of sales		-	-
Gross profit		90,503	-
Finance income		457	13,210
Other income	4	1,428,338	983,576
Compliance and regulatory expenses		(171,982)	(134,167)
Consultants and professional fees		(877,828)	(861,503)
Administration expenses		(165,105)	(53,196)
Director and employee expenses		(1,327,591)	(365,507)
Research consultancy fees		(1,855,790)	(1,589,960)
Share based payments	10	(503,660)	(176,691)
Changes in fair value of financial assets at fair value through profit or loss	11	149,196	(137,736)
Depreciation and amortisation		(240,902)	-
Finance costs		(21,770)	-
Other expenses		(98,492)	(253,185)
Loss before income tax expense		**(3,594,626)**	**(2,575,159)**
Income tax expense		-	-
Net loss for the period		**(3,594,626)**	**(2,575,159)**
Other comprehensive income		(153,586)	-
Other comprehensive income for the period, net of tax		**(153,586)**	**-**
Total comprehensive loss for the period		**(3,748,212)**	**(2,575,159)**
Total comprehensive income attributable to owners of the parent		**(3,748,212)**	**(2,575,159)**
Basic loss per share (cents per share)		(0.33)	(0.34)
Diluted loss per share (cents per share)		(0.33)	(0.34)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31 December 2020 $	30 June 2020 $
Assets			
Current Assets			
Cash and cash equivalents		8,641,174	1,697,040
Trade and other receivables		142,233	135,709
Inventories	5	299,435	-
Total Current Assets		9,082,842	1,832,749
Non-Current Assets			
Financial assets held at fair value	11	391,327	242,131
Right-of-use Assets	6	474,905	595,180
Other financial assets		97,535	108,215
Property, plant and equipment		856,113	984,756
Intangible assets	7	31,947,603	32,025,603
Total Non-Current Assets		33,767,483	33,955,855
Total Assets		**42,850,325**	**35,788,634**
Liabilities			
Current Liabilities			
Trade and other payables		602,364	559,386
Lease liabilities	8	45,500	60,862
Other liabilities		-	50,000
Total Current Liabilities		647,864	670,248
Non-Current Liabilities			
Lease liabilities	8	478,002	571,461
Total Non-Current Liabilities		478,002	571,461
Total Liabilities		1,125,866	1,241,709
Net Assets		**41,724,459**	**34,546,925**
Equity			
Issued capital	9	36,495,186	26,075,600
Reserves		27,523,775	21,171,201
Accumulated losses		(22,294,502)	(18,699,876)
Total Equity		**41,724,459**	**34,546,925**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued Capital $	Accumulated Losses $	Foreign Currency Reserve $	Performance Rights Reserve $	Share Based Payments Reserve $	Total Equity $
Balance at 1 July 2019	**13,823,411**	**(11,680,270)**	**-**	**-**	**964,822**	**3,107,963**
Adjustment on initial application of new accounting standards	-	(4,561)	-	-	-	(4,561)
Loss for the period	-	(2,575,159)	-	-	-	(2,575,159)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	(2,579,720)	-	-	-	**(2,579,720)**
Shares issued during the period	102,000	-	-	-	-	102,000
Acquisition of Ilera Therapeutics	7,701,603	-	(84,532)	25,776,181	-	33,393,252
Issue of performance rights to Directors	-	-	-	39,173	-	39,173
Share-based payments	-	-	-	-	141,268	141,268
Share options exercised	62,500	-	-	-	-	62,500
Balance at 31 December 2019	**21,689,514**	**(14,259,990)**	**(84,532)**	**25,815,354**	**1,106,090**	**34,266,436**
Balance at 1 July 2020	**26,075,600**	**(18,699,876)**	**(112,528)**	**26,037,664**	**1,246,065**	**34,546,925**
Loss for the period	-	(3,594,626)	-	-	-	(3,594,626)
Other comprehensive income	-	-	(153,586)	-	-	(153,586)
Total comprehensive loss for the period	-	(3,594,626)	(153,586)	-	-	(3,748,212)
Shares issued during the period	10,799,376	-	-	-	-	10,799,376
Transaction costs relating to the issue of shares	(567,290)	-	-	-	-	(567,290)
Issue of performance rights to Directors	-	-	-	265,117	-	265,117
Proceeds from issue of performance rights	-	-	-	2,500	-	2,500
Share-based payments	-	-	-	-	238,543	238,543
Share options exercised	187,500	-	-	-	-	187,500
Balance at 31 December 2020	**36,495,186**	**(22,294,502)**	**(266,114)**	**26,305,281**	**1,484,608**	**41,724,459**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 $	31 December 2019 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		88,140	-
Payments to suppliers and employees		(3,332,209)	(1,289,623)
Payments for research		(1,395,209)	(1,843,406)
Interest received		444	19,835
Interest paid		(1,590)	-
Net cash used in operating activities		(4,640,424)	(3,113,194)
Cash flows from investing activities			
Cash acquired as part of acquisition		-	189,781
Government grants and tax incentives		1,428,338	981,776
Net cash from investing activities		1,428,338	1,171,557
Cash flows from financing activities			
Proceeds from issue of shares		10,684,971	-
Issue costs associated with issue of shares		(564,281)	-
Proceeds from the issue of performance rights		2,500	-
Proceeds from issue of options		187,500	62,500
Net cash from financing activities		10,310,690	62,500
Net (decrease) / increase in cash held		7,098,604	(1,879,137)
Effect of exchange rate fluctuations on cash held		(154,470)	738
Cash and cash equivalents at the beginning of the period		1,697,040	3,073,125
Cash and cash equivalents at the end of the period		8,641,174	1,194,726

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Zelira Therapeutics Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period, except for the impact of the new Standards and Interpretations as described below. The interim financial statements were authorised for issue on 22 February 2021.

Basis of preparation

The half-year report has been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Inventories

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.

Going Concern

The Company incurred a loss of $3,594,626 for the period ended 31 December 2020 and a net cash outflow from operating activities amounting to $4,640,424. These conditions indicate the existence of inherent uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on Zelira successfully commercialising its medicinal cannabis formulas targeting large addressable markets such as pain, sleep and anxiety, commercialising its scientifically formulated, hemp-derived cannabinoid-based oral-care products or securing additional funding through capital raising activities to continue its operational and marketing activities. Should these be unsuccessful, there may be an inherent uncertainty relating to the Group's ability to continue as a going concern.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to generate sufficient revenue or secure funds to meet its commitments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Group is able to generate sufficient revenue from Zenivol™;
- whether the Group is able to generate sufficient revenue from HOPE 1™ and HOPE 2™;
- whether the Group is able to generate sufficient revenue from its Oral Care range of products;
- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

Significant accounting judgments and key estimates

The preparation of half-year financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2020.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2020

In the period ended 31 December 2020, the directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and have determined there is no material impact on the Group and therefore no change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 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 changes are necessary to Group accounting policies.

NOTE 2: SEGMENT REPORTING

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on geographic location of operations: Australia and United States of America. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half years ended 31 December 2020 and 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 2: SEGMENT REPORTING continued

	Australia	USA	Total
	$	$	$
31 December 2020			
Segment revenues	5,075	85,428	90,503
Segment profit before income tax expense	(1,492,520)	(2,102,106)	(3,594,626)
Segment assets	40,653,712	2,196,613	42,850,325
Segment liabilities	(298,624)	(827,224)	(1,125,866)
31 December 2019			
Segment revenues	-	-	-
Segment profit before income tax expense	(2,402,695)	(172,464)	(2,575,159)
Segment assets	34,419,651	510,141	34,929,792
Segment liabilities	(366,146)	(297,210)	(663,356)

NOTE 3: REVENUE

	Six months to 31 December 2020	Six months to 31 December 2019
	$	$
Sale of goods	5,075	-
License fee	85,428	-
	90,503	-

NOTE 4: OTHER INCOME

	Six months to 31 December 2020	Six months to 31 December 2019
	$	$
Research and development incentive[1]	1,378,349	983,576
ATO Cash Boost	49,989	-
	1,428,338	983,576

1. Government grants relate to the Group's research and development (R&D) activities being registered by Innovation and Science Australia for the R&D Tax Incentive. The R&D refund was received by the Company in December 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 5: INVENTORIES

	31 December 2020	30 June 2020
	$	$
Zenivol – at cost	299,435	-
	299,435	-

NOTE 6: RIGHT-OF-USE ASSETS

Carrying value	Premises $
Cost	569,024
Accumulated depreciation	(94,119)
Carrying value as at 31 December 2020	474,905
Cost	639,221
Accumulated depreciation	(44,041)
Carrying value as at 30 June 2020	595,180

Reconciliation	Premises $
31 December 2020	
Opening balance	595,180
Additions	-
Foreign currency differences	(64,737)
Depreciation expense	(55,538)
Closing balance	474,905
30 June 2020	
Recognised on 1 July 2019 on adoption of AASB 16	31,226
Recognised during the year ended 30 June 2020	665,226
Foreign currency differences	(43,986)
Depreciation expense	(57,286)
Closing balance	595,180

NOTE 7: INTANGIBLE ASSETS

Carrying value	Trademarks	Favourable leases	Goodwill	Total
	$	$	$	$
Cost	1,177,360	191,321	30,747,083	32,115,764
Accumulated amortisation	(126,914)	(41,247)	-	(168,161)
Carrying value as at 31 December 2020	1,050,446	150,074	30,747,083	31,947,603
Cost	1,177,360	191,321	30,747,083	32,115,764
Accumulated amortisation	(68,046)	(22,115)	-	(90,161)
Carrying value as at 30 June 2020	1,109,314	169,206	30,747,083	32,025,603

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 7: INTANGIBLE ASSETS continued

Reconciliation	Trademarks	Favourable leases	Goodwill	Total
	$	$	$	$
31 December 2020				
Opening balance	1,109,314	169,206	30,747,083	32,025,603
Amortisation expense	(58,868)	(19,132)	-	(78,000)
Closing balance	1,050,446	150,074	30,747,083	31,947,603
30 June 2020				
Opening balance	-	-	-	-
Acquisition through business combinations	1,177,360	191,321	30,747,083	32,115,764
Amortisation expense	(68,046)	(22,115)	-	(90,161)
Closing balance	1,109,314	169,206	30,747,083	32,025,603

NOTE 8: LEASE LIABILITIES

Carrying value	31 December 2020 $	30 June 2020 $
Current liabilities	45,500	60,862
Non-current liabilities	478,002	571,461
	523,502	632,323

Reconciliation	Premises $
31 December 2020	
Opening balance	632,323
Interest	20,107
Foreign currency differences	(78,512)
Principal repayments	(50,416)
Closing balance as at 31 December 2020	523,502
30 June 2020	
Recognised on 1 July 2019 on adoption of AASB 16	35,786
Recognised during the year ended 30 June 2020	665,226
Interest	12,344
Foreign currency differences	(23,827)
Principal repayments	(57,206)
Closing balance as at 30 June 2020	632,323

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 8: LEASE LIABILITIES continued

Underlying assets serve as a security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below:

	Lease payments due		
31 December 2020	< 1 year	1 – 2 years	Total
	$	$	$
Lease payments	80,536	554,218	634,754
Interest	(35,036)	(76,216)	(111,252)
Net present value	45,500	478,002	523,502

NOTE 9: ISSUED CAPITAL

	Six months to 31 December 2020	Year to 30 June 2020
Ordinary shares	$	$
Issued and fully paid	36,495,186	26,075,600

	Six months to 31 December 2020 No.	Year to 30 June 2020 No.	Six months to 31 December 2020 $	Year to 30 June 2020 $
Movements in ordinary shares on issue				
At start of period	966,298,406	755,341,934	26,075,600	13,823,411
Acquisition of Ilera Therapeutics	-	113,601,290	-	7,690,603
Shares issued from exercise of options	6,000,000	4,000,000	187,500	142,500
Shares issued to consultant	-	1,500,000	-	102,000
Shares issued to sophisticated investors	213,024,560	91,855,182	10,799,376	4,592,759
Share issue expenses	-	-	(567,290)	(286,674)
Foreign exchange conversion	-	-	-	11,001
At end of period	1,185,322,966	966,298,406	36,495,186	26,075,600

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 10: SHARE-BASED PAYMENTS

Unlisted Options (as at Balance date)

Set out below are the summaries of options granted as share based payments during the year and previous periods:

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date	Vesting date
1	32,000,000	18 November 2016	17 November 2021	$0.03125	$0.0152	18 November 2016
2	1,000,000	22 August 2018	22 August 2021	$0.125	$0.0192	22 August 2018
3	2,000,000	22 August 2018	22 August 2021	$0.125	$0.0192	22 August 2020
4	2,096,667	15 January 2019	16 January 2022	$0.10	$0.0158	3 September 2019
5	1,065,000	15 January 2019	16 January 2022	$0.10	$0.0158	3 September 2020
6	1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2019
7	1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2020
8	1,500,000	8 January 2019	16 January 2022	$0.10	$0.0181	21 April 2021 subject to vesting conditions
9	5,000,000	19 February 2019	19 February 2022	$0.10	$0.0130	19 February 2019
10	5,000,000	19 February 2019	19 February 2022	$0.15	$0.0091	16 October 2019
11	5,000,000	19 February 2019	19 February 2022	$0.20	$0.0067	16 October 2019
12	5,000,000	19 February 2019	19 February 2022	$0.28	$0.0044	16 October 2020
13	5,000,000	19 February 2019	19 February 2022	$0.30	$0.0041	16 October 2020
14	2,000,000	27 September 2019	27 September 2022	$0.12	$0.0143	27 September 2019
15	5,000,000	11 August 2020	11 August 2023	$0.10	$0.0195	11 August 2020
16	5,000,000	11 August 2020	11 August 2023	$0.15	$0.0156	2 December 2020
17	5,000,000	11 August 2020	11 August 2023	$0.20	$0.0130	2 December 2020
18	5,000,000	11 August 2020	11 August 2023	$0.28	$0.0102	2 December 2021 subject to vesting conditions
19	5,000,000	11 August 2020	11 August 2023	$0.30	$0.0096	2 December 2021 subject to vesting conditions
20	4,000,000	11 September 2020	11 September 2023	$0.10	$0.0151	9 November 2020
21	4,000,000	11 September 2020	11 September 2023	$0.15	$0.0114	9 November 2021 subject to vesting conditions
22	4,000,000	11 September 2020	11 September 2023	$0.20	$0.0090	9 November 2021 subject to vesting conditions
23	4,000,000	11 September 2020	11 September 2023	$0.28	$0.0066	9 November 2022 subject to vesting conditions
24	4,000,000	11 September 2020	11 September 2023	$0.30	$0.0062	9 November 2022 subject to vesting conditions

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 10: SHARE-BASED PAYMENTS continued

The fair value of the equity-settled options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Expected volatility (%)	137	81	81	76	76	76	76	76	69	69	69	69	69	71	86	86	86	86	86	80	80	80	80	80
Risk-free interest rate (%)	2.18	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.96	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Expected life of option (years)	5	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Exercise price (cents)	3.125	12.5	12.5	10	10	10	10	10	10	15	20	28	30	12	10	15	20	28	30	10	15	20	28	30
Grant date share price (cents)	2.5	7.1	7.1	6.1	6.1	6.6	6.6	6.6	5.9	5.9	5.9	5.9	5.9	7.5	6.2	6.2	6.2	6.2	6.2	5.7	5.7	5.7	5.7	5.7

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.

Performance Rights

Set out below are the summaries of performance rights granted during the year and previous periods:

	Number	Grant date	Expiry date	Fair value at grant date	Conversion milestones
Class A	18,750,000	28 November 2019	23 December 2024	$0.0677	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Class B	18,750,000	28 November 2019	23 December 2024	$0.0677	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024
Class A	12,500,000	25 September 2020	23 December 2024	$0.076	Converted into shares subject to the cumulative revenues from US based products exceeding US$1,000,000 prior to 23 December 2024
Class B	12,500,000	25 September 2020	23 December 2024	$0.076	Converted into shares subject to the cumulative revenues from US based products exceeding US$2,500,000 prior to 23 December 2024

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 11: FINANCIAL INSTRUMENTS

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value in a recurring basis as at 31 December 2020 and 30 June 2020.

	31 December 2020 $	30 June 2020 $	Fair value hierarchy	Valuation techniques
Financial assets held at fair value through profit or loss				
Non-current	391,327	242,131	Level 2	*Options in CannPal* The fair values of the CannPal options are estimated using the Black and Scholes model taking into account the terms and conditions when they were granted
	391,327	242,131		

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. The Directors consider that the carrying amounts of current receivables, other financial assets and current payables are considered to be a reasonable approximation of their fair values.

NOTE 12: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 13: RELATED PARTY TRANSACTIONS

There are no related party transactions requiring disclosure since the last annual reporting date.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

On 20 January 2021, the Company announced it had issued 20,000,000 US Employee Share Option Plan ("US ESOP") Options pursuant to the US ESOP.

The US ESOP Options were issued in five (5) tranches:

- 4 million @ 10 cents per share - vested immediately and expiring on 20 January 2024;
- 4 million @ 15 cents per share - vesting 3 March 2021 and expiring on 20 January 2024;
- 4 million @ 20 cents per share - vesting 3 March 2021 and expiring on 20 January 2024;
- 4 million @ 28 cents per share - vesting 3 March 2022 and expiring on 20 January 2024; and
- 4 million @ 30 cents per share - vesting 3 March 2022 and expiring 20 January 2024.

On 15 February 2021, the Company announced that as part of a strategic consolidation of Zelira's operations, leadership will transfer to the United States based team and Dr Oludare Odumosu will now assume the role of global Managing Director. Dr Richard Hopkins will step down as Chief Executive Officer and Managing Director ex-USA effective 15 May 2021.

DIRECTORS' DECLARATION

In the opinion of the directors of Zelira Therapeutics Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s303(5) of the *Corporations Act 2001*.

Oludare Odumosu
Managing Director
22 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Zelira Therapeutics Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Zelira Therapeutics Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B M Veigh

B G McVeigh
Partner

Perth, Western Australia
22 February 2021