Nyrada Inc

Annual Report - 30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Nyrada Inc (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Nyrada Inc during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Moore (Chairman) (appointed 4 June 2019)
Dr Graham Kelly
Peter Marks
Marcus Frampton (appointed 4 June 2019)
Ruediger Weseloh (appointed 4 June 2019)
Josiah Austin (resigned 18 October 2018)

Principal activities

The company's core activity is drug development, focusing on small molecules with potential therapeutic benefit in areas of significant medical needs.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $4,095,130 (30 June 2018: $2,416,276).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 9 May 2019, the noteholders were asked to agree to an extension of the maturity date and change in conversion ratio of these notes to shares from 3 shares for every 12 notes held to 15 shares for every 12 notes held, with the maturity date being extended to 31 October 2019. No change to the option arrangements, with 2 options being issued for every 12 notes held per the original agreement terms. During the period up to the date of this report and since balance date, the substantial majority of note holders have agreed to these changes. The changes to the convertible note agreements have no impact on the company prior to the completion of an IPO.

On 5 July 2019, the Share Split as outlined in note 11 was approved, with the updated Certificate of Amendment filed and issued on 10 July 2019.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
John Moore (Chairman) (appointed 4 June 2019)	-	-
Dr Graham Kelly	3	3
Peter Marks	2	3
Marcus Frampton (appointed 4 June 2019)	-	-
Ruediger Weseloh (appointed 4 June 2019)	-	-
Josiah Austin (resigned 18 October 2018)	1	1

Held: represents the number of meetings held during the time the director held office.

Shares under option

In the prior year ended 30 June 2018, Nyrada Inc agreed to grant various share-based payments consisting of warrants to its directors, and other executives and advisers. These warrants have been approved by the Board of Directors but have not been issued at the date of this report as the issuance has been deferred pending a proposed restructuring of the company's share structure to be approved by the shareholders. However, the fair value of the warrants have been included in the financial statements for the purposes of meeting the requirements of AASB 2 Share-Based Payments.

Shares issued on the exercise of options

There were no ordinary shares of Nyrada Inc issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Nexia Sydney Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Dr Graham Kelly
Director

10 September 2019

To the Board of Directors of Nyrada Inc

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Nyrada Inc. and its controlled entities for the financial year ended 30 June 2019, 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.

Yours faithfully

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Date: 10 September 2019

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General information

The financial statements cover Nyrada Inc as a consolidated entity consisting of Nyrada Inc and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Nyrada Inc's functional and presentation currency.

Nyrada Inc is an unlisted public company limited by shares, incorporated and domiciled in United States. Its registered office and principal place of business are:

Registered office	**Principal place of business**
The Corporation Trust Company	555 Madison Avenue
1209 Orange Street	5th Floor
City of Wilmington	New York
County of New Castle	NEW YORK 10022
DELAWARE 19801	United States of America

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 10 September 2019. The directors have the power to amend and reissue the financial statements.

Nyrada Inc
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue			
Other income	3	19,359	4,094
R&D grant revenue		486,338	-
Expenses			
Employee benefits expense		(1,398,142)	(701,556)
Depreciation and amortisation expense		(1,406)	(119)
Administration expenses		(148,038)	(66,773)
Professional services expenses		(753,193)	(422,452)
Travelling expenses		(57,397)	(19,186)
Research and development costs		(1,041,201)	(689,520)
Share-based payments		(503,333)	(254,559)
Other expenses		(47,218)	(27,909)
Finance costs		(650,899)	(238,296)
Loss before income tax expense		(4,095,130)	(2,416,276)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Nyrada Inc	13	(4,095,130)	(2,416,276)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Nyrada Inc		(4,095,130)	(2,416,276)

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

Nyrada Inc
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	4	1,102,397	3,108,197
Trade and other receivables	5	3	20,369
Other		3	3
Total current assets		1,102,403	3,128,569
Non-current assets			
Property, plant and equipment		3,740	4,704
Intangibles	6	37,000	37,000
Total non-current assets		40,740	41,704
Total assets		1,143,143	3,170,273
Liabilities			
Current liabilities			
Trade and other payables	7	2,124,165	1,222,677
Convertible notes	8	3,930,351	-
Employee benefits	9	43,093	30,813
Total current liabilities		6,097,609	1,253,490
Non-current liabilities			
Convertible notes	10	-	3,279,452
Total non-current liabilities		-	3,279,452
Total liabilities		6,097,609	4,532,942
Net liabilities		(4,954,466)	(1,362,669)
Equity			
Issued capital	11	37,003	37,003
Reserves	12	1,519,937	1,016,604
Accumulated losses	13	(6,511,406)	(2,416,276)
Total deficiency in equity		(4,954,466)	(1,362,669)

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

Nyrada Inc
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 25 September 2017	-	-	-	-
Loss after income tax expense for the year	-	-	(2,416,276)	(2,416,276)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,416,276)	(2,416,276)
Equity portion arising from convertible notes (note 12)	-	762,045	-	762,045
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 11)	3	-	-	3
Share-based payments (notes 12 and 19)	37,000	254,559	-	291,559
Balance at 30 June 2018	37,003	1,016,604	(2,416,276)	(1,362,669)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2018	37,003	1,016,604	(2,416,276)	(1,362,669)
Loss after income tax expense for the year	-	-	(4,095,130)	(4,095,130)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,095,130)	(4,095,130)
Transactions with owners in their capacity as owners:				
Share-based payments (notes 12 and 19)	-	503,333	-	503,333
Balance at 30 June 2019	37,003	1,519,937	(6,511,406)	(4,954,466)

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

Nyrada Inc
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(2,511,056)	(694,275)
Interest received		19,359	4,094
R&D grant received		486,338	-
Net cash used in operating activities	18	(2,005,359)	(690,181)
Cash flows from investing activities			
Payments for property, plant and equipment		(441)	(4,823)
Net cash used in investing activities		(441)	(4,823)
Cash flows from financing activities			
Proceeds from issue of convertible notes	10	-	3,990,100
Transaction costs relating to issue of convertible notes		-	(186,899)
Net cash from financing activities		-	3,803,201
Net increase/(decrease) in cash and cash equivalents		(2,005,800)	3,108,197
Cash and cash equivalents at the beginning of the financial year		3,108,197	-
Cash and cash equivalents at the end of the financial year	4	1,102,397	3,108,197

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
In the directors' opinion, the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Nyrada Inc. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Nyrada Inc.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 16.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nyrada Inc ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Nyrada Inc and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 1. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
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.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 1. Significant accounting policies (continued)

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

Note 3. Other income

	Consolidated	
	2019	2018
	$	$
Interest income	19,359	4,094

Note 4. Current assets - cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank	1,102,397	1,107,434
Cash on deposit	-	2,000,763
	1,102,397	3,108,197

Note 5. Current assets - trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Trade receivables	-	61
Other receivables	3	20,307
Intercompany receivable	-	1
	3	20,369

Note 6. Non-current assets - intangibles

	Consolidated 2019 $	Consolidated 2018 $
IP - PCSK9	37,000	37,000

Intangibles relate to the fair value of the costs incurred for the intellectual property related to patent application PCSK9 recognised on the acquisition of Cardio Therapeutics Pty Ltd on 20 November 2017.

Note 7. Current liabilities - trade and other payables

	Consolidated 2019 $	Consolidated 2018 $
Trade payables	152,283	192,276
Amount owing to ultimate parent entity	1,839,802	676,141
Other payables	132,080	354,260
	2,124,165	1,222,677

Note 8. Current liabilities - convertible notes

	Consolidated 2019 $	Consolidated 2018 $
Convertible notes payable *	3,930,351	-

Note 8. Current liabilities - convertible notes (continued)

	Consolidated 2019 $	Consolidated 2018 $
* Opening balance - reclassified from non-current to current (see note 10)	3,279,452	-
Cash proceeds from issuance of convertible notes	-	3,990,100
Interest for the period	650,899	238,296
Transaction costs relating to the debt portion of the convertible notes	-	(149,450)
Reclassification to equity for conversion feature	-	(799,494)
	3,930,351	3,279,452

On 16 February 2018, Nyrada Inc closed its convertible note raising, having raised $4.0 million via the issue of notes of $1.00 each. Each note can be converted or redeemed as follows:

• If Nyrada Inc lists on a stock exchange in Australia or USA within 18 months of the issue of note, each 12 notes will convert to 3 New Shares and 2 New Options, where each New Option has an exercise price of $6.00 and expiry of 30 November 2020;

• If Nyrada Inc does not list on a stock exchange in Australia or USA within 18 months of the issue of note, then the notes will be redeemed 1) to the extent possible, by the issue of shares in Noxopharm Limited (ultimate holding company) at a 25% discount to the 10-day VWAP immediately prior to the conversion notice or 2) payment of the face value of the notes.

As the convertible notes demonstrate certain characteristics of equity, the convertible notes have been discounted using an effective interest rate of 15% on the basis of observable market interest rates on similar instruments such as unsecured debt and research and development financing to determine the equity portion. As a result a conversion reserve of $762,045 has been recognised within equity of the group consolidated accounts. Total costs of $149,450 have also been recognised as transaction costs and have been capitalised against the carrying value of the convertible notes.

Note 9. Current liabilities - employee benefits

	Consolidated 2019 $	Consolidated 2018 $
Annual leave	43,093	30,813

Note 10. Non-current liabilities - convertible notes

	Consolidated 2019 $	Consolidated 2018 $
Convertible notes payable *	-	3,279,452

* Reclassified from non-current to current (see note 8)

Note 11. Equity - issued capital

	Consolidated 2019 Shares	Consolidated 2018 Shares	Consolidated 2019 $	Consolidated 2018 $
Ordinary shares - fully paid	10,000	10,000	37,003	37,003

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	**Date**	**Shares**	**$**
Balance	25 September 2017	-	-
Issue of shares - at incorporation		2	3
Issue of shares - acquisition of Norbio No 1 Pty Ltd and Norbio No 2 Pty Ltd		6,669	-
Issue of shares - acquisition of Cardio Therapeutics Pty Ltd		3,329	37,000
Balance	30 June 2018	10,000	37,003
Balance	30 June 2019	10,000	37,003

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have a par value of US$0.00001 each and the company have an authorised capital of 10,000,000 shares.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Under the terms of the convertible notes as disclosed in note 8, the above number of shares will be subject to a share split of 1 to 1,000 resulting a total of shares of 10,000,000. On 5 July 2019, the Share Split was approved, with the updated Certificate of Amendment filed and issued on 10 July 2019.

Note 12. Equity - reserves

	Consolidated	
	2019 **$**	**2018** **$**
Share-based payments reserve	757,892	254,559
Other reserves	762,045	762,045
	1,519,937	1,016,604

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Other reserve
The other reserve relates to the deemed fair value of the equity conversion of the convertible notes issued by Nyrada in February 2018.

Note 13. Equity - accumulated losses

	Consolidated 2019 $	Consolidated 2018 $
Accumulated losses at the beginning of the financial year	(2,416,276)	-
Loss after income tax expense for the year	(4,095,130)	(2,416,276)
Accumulated losses at the end of the financial year	(6,511,406)	(2,416,276)

Note 14. Equity - dividends

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

Note 15. Going concern

For the period ended 30 June 2019 the consolidated entity incurred a loss after tax of $4,095,130, and incurred a net cash outflow from operating activities of $2,005,359. As at 30 June 2019, the consolidated entity had net liabilities of $4,954,466.

The company will require further funding during the next 12 months to meet day to day obligations as they fall due and to progress research projects.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the company will be able to meet its debts as and when they fall due and that it is appropriate for the financial report to be prepared on a going concern basis. The directors have based this on the following matters:

- The directors believe that future funding will be available to meet the company's objectives and debts as and when they fall due.
- The directors are confident that future equity raisings required to provide funding for the company's planned research activities will be achieved.
- The company has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements.
- Noxopharm Limited the parent and largest shareholder of the company has provided a letter of financial support to enable the company continue its normal operations for the next 12 months in the event the company is unable to raise planned funding from the equity markets.

Note 16. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $	Parent 2018 $
Loss after income tax	(1,359,781)	(590,059)
Total comprehensive loss	(1,359,781)	(590,059)

Note 16. Parent entity information (continued)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	3,500,452	3,739,095
Total assets	3,537,452	3,776,095
Total current liabilities	3,930,351	33,095
Total liabilities	3,930,351	3,312,547
Equity		
Issued capital	37,003	37,003
Reserves	1,519,937	1,016,604
Accumulated losses	(1,949,839)	(590,059)
Total equity/(deficiency)	(392,899)	463,548

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 17. Events after the reporting period

On 9 May 2019, the noteholders were asked to agree to an extension of the maturity date and change in conversion ratio of these notes to shares from 3 shares for every 12 notes held to 15 shares for every 12 notes held, with the maturity date being extended to 31 October 2019. No change to the option arrangements, with 2 options being issued for every 12 notes held per the original agreement terms. During the period up to the date of this report and since balance date, the substantial majority of note holders have agreed to these changes. The changes to the convertible note agreements have no impact on the company prior to the completion of an IPO.

On 5 July 2019, the Share Split as outlined in note 11 was approved, with the updated Certificate of Amendment filed and issued on 10 July 2019.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 18. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019 $	2018 $
Loss after income tax expense for the year	(4,095,130)	(2,416,276)
Adjustments for:		
Depreciation and amortisation	1,406	119
Share-based payments	503,333	254,559
Unwinding of the interest on convertible notes	650,899	238,296
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	20,366	(13,638)
Increase in trade and other payables	901,487	1,246,759
Increase in employee benefits	12,280	-
Net cash used in operating activities	(2,005,359)	(690,181)

Note 19. Share-based payments

During the prior period, Nyrada Inc agreed to grant various share-based payments to its directors, and other executives and advisers. These warrants have been approved, however have not been issued or vested as the issuance is subject to the restructuring of the company's share structure, but have been included in the financial statements for the purposes of meeting the requirements of AASB 2 Share-Based Payments.

Set out below are summaries of warrants granted during the prior period:

2019

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/02/2018	3 years from vesting date	440,000	-	-	-	440,000
15/02/2018	15/02/2021	33,000	-	-	-	33,000
01/05/2018	15/02/2021	22,000	-	-	-	22,000
23/05/2018	15/02/2021	44,000	-	-	-	44,000
23/05/2018	3 years from vesting date	44,000	-	-	-	44,000
		583,000	-	-	-	583,000

2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/02/2018	3 years from vesting date	-	440,000	-	-	440,000
15/02/2018	15/02/2021	-	33,000	-	-	33,000
01/05/2018	15/02/2021	-	22,000	-	-	22,000
23/05/2018	15/02/2021	-	44,000	-	-	44,000
23/05/2018	3 years from vesting date	-	44,000	-	-	44,000
		-	583,000	-	-	583,000

The company has engaged an external valuation expert to perform the fair value for the warrants as the exercise price for the shares are based on a premium (between 20% to 30%) set on either 15 days VWAP or at the ASX IPO price.

Note 19. Share-based payments (continued)

Other assumptions used to determine the fair value of the warrants includes the following:

Grant date	Expiry date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/02/2018	3 years from vesting date	75.00%	-	2.19%	$2.830
15/02/2018	15/02/2021	75.00%	-	2.15%	$2.160
01/05/2018	15/02/2021	75.00%	-	2.15%	$2.070
23/05/2018	15/02/2021	75.00%	-	2.15%	$2.050
23/05/2018	3 years from vesting date	75.00%	-	2.10%	$2.930

Nyrada Inc
Directors' declaration
30 June 2019

In the directors' opinion:

- the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Nyrada Inc;

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Dr Graham Kelly
Director

10 September 2019

Nexia Australia

Independent Auditor's Report to the shareholders of Nyrada Inc

Report on the Audit of the Financial Report

Opinion

We have audited the financial report, being a special purpose financial report, of Nyrada Inc (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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:

i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards to the extent described in Note 1, 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's section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Emphasis of matter regarding basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in Nyrada Inc's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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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 the other information we are required to report that fact. We have nothing to report in this regard.

Directors’ responsibility 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 and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the shareholders. The directors are also responsible 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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor’s report.

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 10 September 2019
Sydney