

IRUA

B I O S C I E N C E

Interim Financial Report
Rua Bioscience Limited
For the six months ended 31 December 2021

Rua Bioscience Limited

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Company Directory
For the six months ended 31 December 2021

Registered office address:	1 Commerce Place Awapuni Gisborne 4071
Contact phone number:	0800 782 246
Contact email address:	info@ruabio.com
Country of incorporation of company:	New Zealand
Company Number:	6484092
ISIN:	NZRUA0004S1
Legal form:	NZ Limited Company
Principal activities:	Pharmaceutical manufacturer
Directors:	Trevor BURT Panapa EHAU Brett GAMBLE Martin SMITH Anna Kate STOVE
Auditor:	PricewaterhouseCoopers
Share registrar:	Computershare Investor Services Limited Level 1, 159 Hurstmere Road Takapuna, Auckland 0622
Bankers:	Kiwibank
Solicitors:	Lowndes Jordan



Independent auditor's review report

To the shareholders of Rua Bioscience Limited.

Report on the interim financial statements

Our conclusion

We have reviewed the interim financial statements of Rua Bioscience Limited (the Company), which comprise the interim statement of financial position as at 31 December 2021, and the interim statement of profit or loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying interim financial statements of the Company do not present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibility is further described in the *Auditor's responsibility for the review of the financial statements* section of our report.

We are independent of the Company in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Directors responsibility for the financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.



Who we report to

This report is made solely to the Company's Shareholders as a body. Our review work has been undertaken so that we might state to the Company's Shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Maxwell John Dixon.

For and on behalf of:

Price Waterhouse Coopers

Chartered Accountants
24 February 2022

Hamilton

Rua Bioscience Limited

Interim statement of profit or loss and other
comprehensive income
For the six months ended 31 December 2021

	Note	For the six months ended 31 December 2021 (unaudited) \$	For the six months ended 31 December 2020 (unaudited) \$
Research and development expenses		(1,652,073)	(881,637)
Other expenses		(2,228,932)	(2,593,596)
Operating loss before net financing costs		(3,881,005)	(3,475,233)
Other income	5	360,443	268,860
Interest income		63,433	2,416
Interest expense		-	(8,480)
Interest expense - leases		(21,333)	(8,948)
Net finance (expense)/income		42,100	(15,012)
Loss before tax		(3,478,462)	(3,221,385)
Income tax credit	6	1,013,596	888,107
Loss after tax		(2,464,866)	(2,333,278)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to shareholders		(2,464,866)	(2,333,278)
Earnings per share attributable to the ordinary equity holders of the parent			
Loss from operations			
Basic (\$)		(0.02)	(0.02)
Diluted (\$)		(0.02)	(0.02)

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited

Interim statement of changes in equity
For the six months ended 31 December 2021

	Note	Share capital	Share option reserve	Accumulated losses	Total equity
		\$	\$	\$	\$
Opening balance at 1 July 2021 (audited)		<u>37,418,499</u>	<u>614,767</u>	<u>(9,199,220)</u>	<u>28,834,046</u>
Total comprehensive loss for the period					
- Loss for the period		-	-	(2,464,866)	(2,464,866)
- Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(2,464,866)</u>	<u>(2,464,866)</u>
Transactions with owners of the Company					
- Issue of share capital		-	-	-	-
- Costs of issuing share capital		-	-	-	-
- Employee share options expense		-	81,495	-	81,495
- Share options vested and exercised	14	<u>652,262</u>	<u>(652,262)</u>	-	-
Total transactions with owners of the Company		<u>652,262</u>	<u>(570,767)</u>	-	<u>81,495</u>
Balance at 31 December 2021 (unaudited)		<u><u>38,070,761</u></u>	<u><u>44,000</u></u>	<u><u>(11,664,086)</u></u>	<u><u>26,450,675</u></u>

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited

Interim statement of changes in equity
For the six months ended 31 December 2020

	Note	Share capital	Share option reserve	Accumulated losses	Total equity
		\$	\$	\$	\$
Opening balance at 1 July 2020 (audited)		<u>18,922,913</u>	<u>260,308</u>	<u>(4,781,260)</u>	<u>14,401,961</u>
Total comprehensive loss for the period					
- Loss for the period		-	-	(2,333,278)	(2,333,278)
- Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(2,333,278)</u>	<u>(2,333,278)</u>
Transactions with owners of the Company					
- Issue of share capital		20,000,000	-	-	20,000,000
- Costs of issuing share capital		(1,504,414)	-	-	(1,504,414)
- Employee share options expense		-	303,354	-	303,354
Total transactions with owners of the Company		<u>18,495,586</u>	<u>303,354</u>	<u>-</u>	<u>18,798,940</u>
Balance at 31 December 2020 (unaudited)		<u><u>37,418,499</u></u>	<u><u>563,662</u></u>	<u><u>(7,114,538)</u></u>	<u><u>30,867,623</u></u>


The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited

Interim statement of financial position
As at 31 December 2021

	Note	As at 31 December 2021 (unaudited) \$	As at 30 June 2021 (audited) \$
Current assets			
Cash and cash equivalents		2,263,243	3,359,479
Other receivables and current assets		759,074	605,927
Prepayments		234,667	110,527
Inventory	7	83,537	-
Investments	4	10,033,851	13,041,549
Total current assets		13,374,372	17,117,482
Non-current assets			
Property, plant and equipment	8	6,118,001	6,174,610
Goodwill		4,000,000	4,000,000
Right-of-use lease assets	8	883,592	929,897
Other receivables		75,000	75,000
Deferred tax asset		3,568,076	2,554,480
Total non-current assets		14,644,669	13,733,987
Total assets		28,019,041	30,851,469
Current liabilities			
Trade and other payables		480,483	510,167
Employee benefit liabilities		173,429	233,862
Lease liabilities	9	154,045	133,958
Borrowings	9	-	10,762
Deferred grant income		9,500	-
Share-based payment liability	14	-	286,647
Total current liabilities		817,457	1,175,396
Non-current liabilities			
Lease liabilities	9	750,909	810,120
Share-based payment liability	14	-	31,907
Total non-current liabilities		750,909	842,027
Total liabilities		1,568,366	2,017,423
Net assets		26,450,675	28,834,046
Equity			
Accumulated losses		(11,664,086)	(9,199,220)
Share capital	13	38,070,761	37,418,499
Share option reserve		44,000	614,767
Total equity		26,450,675	28,834,046

The interim financial statements on pages 6 to 22 were approved and authorised for issue by the Board of Directors on 24 February 2022 and were signed on its behalf by:

 (Director)

 (Director)

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited

Interim statement of cash flows
For the six months ended 31 December 2021

	Note	For the 6 months to 31 Dec 2021 (unaudited) \$	For the 6 months to 31 Dec 2020 (unaudited) \$
Cash flows from operating activities			
Grant income received		234,516	646,305
Payments to suppliers and employees		(3,962,823)	(2,620,705)
Net cash inflows/(outflows) from operating activities		(3,728,307)	(1,974,400)
Cash flows from investing activities			
Interest income		51,214	25,139
Proceeds from maturing investments		16,070,711	-
Proceeds from the sale of property, plant and equipment		-	15,739
Purchase of property, plant and equipment		(310,947)	(1,098,780)
Payment in relation to listing bond		-	(75,000)
Investment deposits made		(13,070,711)	-
Net cash inflows/(outflows) from investing activities		2,740,267	(1,132,902)
Cash flows from financing activities			
Issue of ordinary shares		-	20,000,000
Repayment of borrowings		(10,762)	(56,955)
Repayment of lease liabilities		(72,332)	(39,784)
Interest paid		(25,102)	(17,428)
Share issue costs paid		-	(1,508,188)
Net cash inflows/(outflows) from financing activities		(108,196)	18,377,645
Net increase/(decrease) in cash and cash equivalents		(1,096,236)	15,270,343
Cash and cash equivalents at beginning of the period		3,359,479	3,937,501
Exchange (losses)/gains on cash and cash equivalents		-	-
Cash and cash equivalents at end of the period		2,263,243	19,207,844

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

1. Reporting Entity

Rua Bioscience Limited (formerly Hikurangi Cannabis Company Ltd) (“the Company”) is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Company is principally engaged in the business of pharmaceuticals manufacturing.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim financial statements have been prepared for the six months ended 31 December 2021. The Company is designated as a profit-oriented entity for financial reporting. These financial statements provide an update on the interim performance of the Company, and should be read in conjunction with the full year financial statements presented for the year ended 30 June 2021 from which the same accounting policies and methods of computation have been followed.

The interim financial statements are prepared in accordance with:

- NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.
- Generally Accepted Accounting Practice in New Zealand (NZ GAAP).
- The accounting policies and methods of computation in the most recent annual financial statements.
- The Financial Markets Conduct Act 2013, and NZX equity listing rules.

The Company is a for-profit entity for the purposes of complying with NZ GAAP.

The financial statements are presented in New Zealand dollars (\$), which is also the Company’s functional currency. All financial information presented has been rounded to the nearest dollar.

(b) Significant accounting policies

The accounting policies and computation methods used in the preparation of the interim financial statements are consistent with those used as at 30 June 2021 and 31 December 2020.

(c) Basis of measurement

The interim financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Borrowings (fair value disclosed) - note 4
- Financial assets and liabilities at amortised cost (fair value disclosed) - note 4
- Liabilities for cash-settled share-based payments - (presented as share based payment liability in the statement of financial position)

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

2. Basis of preparation (continued)

(d) New standards, interpretations and amendments effective or applied for the first time

Inventory

Subsequent to it having received verification from the NZ Medicinal Cannabis Agency (Medsafe) for the sale and distribution of medicinal CBD products, the Company has recognised inventory in its statement of financial position for the first time in the interim period ended 31 December 2021. Refer to note 7 for details of the accounting policy.

The Company has not adopted any other significant new standards, interpretations and amendments in the interim period with a material impact on the financial statements.

(e) Accounting estimates and judgements made

There have been no material revisions to the nature and amount of estimates of, and judgements in relation to, amounts reported in prior periods.

(f) Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Company incurred a net loss of \$2,464,866 during the period ended 31 December 2021.

The capital raised at the IPO has provided a sufficient runway for to the company to continue operating as a going concern while it continues the development of its research projects, product suite and sales opportunities.

The purchase of Zalm Therapeutics Ltd in January 2022 (refer to note 15) creates a significant opportunity for the company in terms of expansion of our product portfolio and the opportunity for scalable revenue generation.

In the coming year, the Company is transitioning into commercialisation where the income generated from products will begin to fund the operations of the company to the point where the Company is financially sustainable and begins to generate profits.

Over the six-month period to December 2021, the Company obtained two key licenses that allow it to commercialise its first product and create the foundation for further commercial opportunities. These were a License to Manufacture Medicine (GMP) & New Medical Cannabis Product Application (CBD100).

Currently there are no indications that the Company will not be able to continue as a going concern. The Company has net current assets and the Directors are of the opinion that the Company is able to settle its liabilities as they fall due. There are risks related to future assumptions being made, particularly around the timeframes related to obtaining regulatory approvals for products, sales volumes and the sales price of these products. The Company is monitoring and managing these risks, however there are no indications at this point in time that they will affect the Company's ability to continue as a going concern.

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

2. Basis of preparation (continued)

(g) Impact of COVID-19

The Company has considered the potential impact of COVID-19 as part of its preparation of these accounts and in relation to the operations. Pharmaceutical manufacturing is considered an essential service and, as such, Rua has and plans to continue trading throughout all alert levels. This has limited the impact of COVID-19 and the Government's response on the Company. The Company has experienced delays in receiving goods and services from international suppliers and market partners who have been affected from Covid-19.

3. Segment Reporting

The Company operates predominantly in one segment, its primary business being pharmaceutical manufacturing in New Zealand.

The chief operating decision maker has been identified as the Chief Executive Officer (CEO) as they make all the key strategic resource allocation decisions related to the Company's segment.

4. Financial instruments and Financial Risk Management, and Capital Management

Categories and fair values of the Company's financial instruments

	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total Carrying Amount	Fair Value
31 December 2021 (unaudited)	\$	\$	\$	\$
Investments	10,033,851		10,033,851	(a)
Cash and cash equivalents	2,263,243	-	2,263,243	(a)
Other receivables	75,000		75,000	(a)
Trade and other payables	-	(480,483)	(480,483)	(a)
Lease liabilities	-	(904,954)	(904,954)	
Total	12,372,094	(1,385,437)		
30 June 2021 (audited)				
Investments	13,041,549		13,041,549	(a)
Cash and cash equivalents	3,359,479	-	3,359,479	(a)
Other receivables	75,000	-	75,000	(a)
Trade and other payables	-	(510,167)	(510,167)	(a)
Borrowings	-	(10,762)	(10,762)	(b)
Lease liabilities	-	(944,078)	(944,078)	
	16,476,028	(1,465,007)		

(a) Due to their short-term nature, the carrying value of these financial instruments approximates their fair value. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty and own credit risk.

(b) Due to the market rate of lending for the remaining term and outstanding balance not being materially different from the current effective interest rate, the carrying value of these financial instruments approximates their fair value. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including own credit risk.

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

5. Revenue and other income

Revenue and other income streams recognised by the Company include:

	6 months to 31 Dec 2021 (unaudited) \$	6 months to 31 Dec 2020 (unaudited) \$
Revenue (from contracts with customers)	-	-
Research and development grant income	358,698	268,860
Sundry income	1,745	-
Total	360,443	268,860

6. Income tax

Tax is charged at 28% for the six months ended 31 December 2021 (2020: 28%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period.

The Company has assessed the realisation of the deferred tax asset at the reporting date and considers that it is probable that future taxable profits will be available to realise the deferred tax asset. Key factors supporting the assessment include:

- Sales of Rua and Azana products into New Zealand and other global markets;
- Securing an export agreement with German distributor, Nimbus Health;
- Potential licensing revenue from Research and Development projects;
- Completing the Company's cultivation and extraction facilities; and
- Forecasted taxable profits in the foreseeable future that are sufficient to utilise the deferred tax asset.

The Directors have considered the likelihood of these key factors occurring and have determined that it is probable that the Company will commercialise its production and generate sufficient future taxable profits to realise the deferred tax asset.

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

7. Inventory

Inventories are recognised at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured on a first-in-first-out basis to determine the cost of ordinarily interchangeable items.

	31 Dec 2021 (unaudited) \$	30 June 2021 (audited) \$
Raw Materials	77,822	-
Consumables	5,715	-
Total	83,537	-

8. Property, plant and equipment and Right-of-use lease assets

Significant transactions during the 6 months to 31 December 2021

- The Company has incurred an additional \$110,715 on the construction of its Ruatoria Plant and Extraction facilities.
- The Company has entered into three portacom leases, resulting in an additional \$37,977 of right-of-use lease assets.

9. Borrowings and Lease liabilities

Significant movements in the Company's debt balances (Borrowings and Lease liabilities) during the period are detailed in the tables below:

6 months to 31 Dec 2021
(unaudited)

	Opening	NON-CASH New leases	CASH Payment of prior year accrued interest	CASH Payment	Closing
	\$	\$		\$	\$
Borrowings	10,762	-	-	(10,762)	-
Lease liabilities	944,078	36,977	(3,769)	(72,332)	904,954
	954,840	36,977	(3,769)	(83,094)	904,954

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

9. Borrowings and Lease liabilities (continued)

6 months to 31 Dec 2020
(unaudited)

	Opening	NON-CASH New leases	CASH Payment of prior year accrued interest	CASH Payment	Closing
	\$	\$	\$	\$	\$
Borrowings	88,931	-	-	(56,955)	31,976
Lease liabilities	259,863	57,662	-	(39,784)	277,741
	348,794	57,662	-	(96,739)	309,717

10. Related party transactions

6 Months to 31 December 2020

The Company listed on the NZX on 22 October 2020.

The Company has no ultimate parent entity. There are no individual shareholders holding more than 20% of the ordinary shares of the Company at reporting date.

6 Months to 31 December 2021

The Company has no ultimate parent entity. There are no individual shareholders holding more than 20% of the ordinary shares of the Company at reporting date.

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

10. Related party transactions (continued)

During the period the Company entered into the below transactions with entities related to shareholders and key management personnel.

	Nature of transactions	Transaction amount	Amounts receivable (payable)
		6 Months to 31 Dec 2021 (unaudited) \$	31 December 2021 (unaudited) \$
EECOMS	Purchases	361	-
Mitchel Family Trust	Purchases	1,620	-

	Nature of transactions	Transaction amount	Amounts receivable (payable)
		6 Months to 31 Dec 2020 (unaudited) \$	30 June 2021 (audited) \$
EECOMS	Purchases	5,416	-
Hikurangi Enterprises Limited	Purchases	-	27,000
Mitchel Family Trust	Purchases	3,450	1,250

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

10. Related party transactions (continued)

Key management personnel compensation

Compensation of key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors) was as follows:

	6 months to 31 December 2021 (unaudited) \$	6 months to 31 December 2020 (unaudited) \$
Directors fees	135,346	106,010
Short-term employee benefits	663,845	441,611
Defined contribution plan payments	20,812	12,727
Share-based payment expense	67,641	448,549
Total key management personnel compensation	887,644	1,008,897

11. Contingent liabilities

There were no contingent liabilities at the end of the period (2020: nil).

12. Biological assets

The Company remains in a research and development phase and as such the plants and produce resulting from current operations are not being developed for sale, or for transformation into agricultural produce or additional biological assets.

Accordingly, related costs are recognised in profit or loss rather than in the recognition of a biological asset in accordance with NZ IAS 41 *Agriculture*, until such time as the Company moves past the research and development phase.

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

13. Share Capital

	31 December 2021 (unaudited) Number	30 June 2021 (audited) Number
Opening shares	140,262,591	17,003,096
Effect of share split*	-	83,009,129
Shares issued**	1,476,676	40,250,366
Total share capital	141,739,267	140,262,591

**On 15 September 2020, the Company completed a 5.882:1 share split.*

***During the period ended 30 June 2021, the Company issued 40,000,000 shares by way of listing on the NZX. They also issued a further 250,366 shares through the vesting of the ESOP issue 3. During the 6 month period ended 31 December 2021, 1,476,676 vested share options were exercised into ordinary shares.*

14. Share-based payments

(a) Relevant information relating to the Company's share-based payments

- During the current period, *Issue #2* was modified such that portions of the share options either (i) vested immediately or (ii) were forfeit immediately. As a result of this modification, any associated cash settled share-based payment liability was also (i) settled or (ii) extinguished.
- During the current period, the Company issued an employee share option plan (ESOP) in the form of equity-settled share options to senior management, and selected employees ("*Issue #4*").
- All tranches:
 - Are subject to a general service vesting condition (i.e. if the party terminates their employment with the company, the share options are forfeited).
 - Are subject to a market condition based on the VWAP for the 10-trading-day prior to vesting date.
 - Have a \$nil exercise price.
 - Are subject to the following exercise dates:
 - One third can be exercised one month after vesting
 - One third can be exercised one year after vesting
 - One third can be exercised two years after vesting

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

14. Share-based payments (continued)

(i) *Share option balances*

	Issue #1 No.	Issue #2 No.	Issue #4 No.	Total No.
Opening (1 July 2021)	1,996,939	301,453	-	2,298,392
- Options issued	-	-	2,478,400	2,478,400
- Options vested	(1,298,746)	(177,930)	-	(1,476,676)
- Options forfeited	-	(58,820)	-	(58,820)
- Options cancelled	(698,193)	(64,703)	-	(762,896)
Closing (31 December 2021)	-	-	2,478,400	2,478,400

(ii) *Vested share options balances outstanding*

	Issue #1 No.	Issue #2 No.	Issue #4 No.	Total No.
Opening (1 July 2021)	-	-	-	-
- New options vested	1,298,746	177,931	-	1,476,676
- Options exercised	(1,298,746)	(177,931)	-	(1,476,676)
Closing (31 December 2021)	-	-	-	-

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

14. Share-based payments (continued)

(iii) Specific ESOP details

The following information is relevant in the determination of the fair value of share options of the new ESOP issued in the period (Issue #4).

ESOP Issue #4	Equity Settled	
	31 December 2021	30 June 2021
Option pricing model used	Monte Carlo	n/a
Weighted average share price	\$0.23	n/a
Exercise price	\$nil	n/a
Weighted average remaining contractual life (in days)	274	n/a
Volatility	85%	n/a

Rua Bioscience Limited
Notes forming part of the interim financial statements
For the six months ended 31 December 2021

15. Events after the reporting date

Acquisition of Zalm Therapeutics Limited

On 19 January 2022, the Company acquired 100% of the voting equity instruments of Zalm Therapeutics Limited.

The purchase price is calculated on the equity value equivalent of \$10m as at 12 November 2021 (based on a price of approximately \$0.4095 per Rua share being the 60-day volume weighted average price up to 12 November 2021), and is paid through the issue of:

- 8,140,000 new Rua ordinary shares (i.e. the Initial Shares); and
- 16,280,000 Performance Shares.

Conversion of the Performance Shares into ordinary shares is contingent on the completion of two critical milestones.

Achievement of Milestone 1 and Milestone 2 is not interdependent and either Milestone could be achieved but not the other.

On completion and issue of the Initial Shares, Rua will control \$874,439 of cash retained in Zalm with \$500,000 held in escrow by the vendor's solicitors to be released to Rua on achievement of either Milestone 1 or Milestone 2. If neither milestone is achieved, the escrowed cash (plus interest) will be released to the Zalm Vendor Shareholders.

At the date of authorisation of these financial statements the application of acquisition accounting required for business combinations has not been completed.