

NeimmuneTech, Inc.

Separate Financial Statements

December 31, 2021 and 2020

NeolmmuneTech, Inc.
Index
December 31, 2021 and 2020

	Page(s)
Independent Auditor’s Report	1 - 4
Separate Financial Statements	
Separate Statements of Financial Position	5
Separate Statements of Comprehensive Loss	6
Separate Statements of Changes in Equity	7
Separate Statements of Cash Flows	8
Notes to the Separate Financial Statements	9 – 46
Report on Independent Auditor’s Review of Internal Control over Financial Reporting	47 - 48
Report on Operating Status of Internal Accounting Control	49



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors of
NeolImmuneTech, Inc.

Opinion

We have audited the accompanying separate financial statements of NeolImmuneTech, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020 and the related separate statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of NeolImmuneTech, Inc. as at December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

Recognition of prepaid expenses and accrued expenses related to research and development

Why it is determined as a Key Audit Matter

As at December 31, 2021, the balances of the Company's prepaid expenses and accrued expenses related to research and development are USD 13,048 thousand and USD 14,073 thousand, respectively (Notes 9 and 14).

The Company recognizes the consideration paid in excess of the goods or services received in relation to research and development as prepaid expenses, and recognizes research and development expenses, which are incurred but not paid as those are not billed by the end of the reporting period, as accrued expenses.

The management's judgment is involved in the process of measuring the services the Company receives during the current period for each contract, and most of the process of comparing costs incurred to bills and payments is performed on a manual basis, therefore, there is a risk of potential misstatements. We focused on this area because the potential misstatements in recognition of prepaid expenses and accrued expenses may have a significant effect on the separate financial statements.

How our audit addressed the Key Audit Matter

Our audit procedures to address the key audit matter include the following procedures:

- Evaluated the appropriateness of accounting policies to recognize prepaid expenses and accrued expenses related to research and development
- Understood and evaluated the effectiveness of design and operation of relevant internal controls
- Tested research and development expenses on a sample basis to assess the occurrence, accuracy and cut-off with the relevant documents including contracts
- Evaluated the reasonableness of management's determination in the probability of receiving goods or services and the period for expense recognition to assess the asset criteria and classification current or non-current of prepaid expenses on a sample basis
- Tested paid transactions and details of unpaid liabilities after end of the reporting period relating to research and development expenses on a sample basis to assess the completeness and cut-off with the relevant documents

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are 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 Korean Standards on Auditing 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 these separate financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kwang-Shik Jang, Certified Public Accountant.

March 18, 2022
Seoul, Korea

This report is effective as of March 18, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

NeolmmuneTech, Inc.
Separate Statements of Financial Position
December 31, 2021 and 2020

<i>(in USD)</i>	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4,6,7	\$ 127,951,841	\$ 64,845,077
Other current financial assets	4,6,8	13,203	-
Other current assets	9,26	<u>10,220,474</u>	<u>8,621,240</u>
		<u>138,185,518</u>	<u>73,466,317</u>
Non-current assets			
Property and equipment	10	1,983,095	145,689
Right-of-use assets	11	1,485,664	2,458,739
Intangible assets	12,26,28	5,559,291	5,947,213
Investment in subsidiary	13	9,443,370	2,441,041
Other non-current financial assets	4,6,8	62,843	58,846
Other non-current assets	9	<u>2,930,584</u>	<u>3,999,910</u>
		<u>21,464,847</u>	<u>15,051,438</u>
Total assets		<u>\$ 159,650,365</u>	<u>\$ 88,517,755</u>
Liabilities			
Current liabilities			
Other payables	4,6,26	\$ 2,120,286	\$ 1,149,988
Current portion of long-term lease liabilities	4,11,25,26	309,286	487,683
Other current financial liabilities	4,6,14	14,073,039	6,585,811
Other current liabilities	15	<u>527,831</u>	<u>254,305</u>
		<u>17,030,442</u>	<u>8,477,787</u>
Non-current liabilities			
Long-term lease liabilities	4,11,25,26	<u>1,417,956</u>	<u>2,217,900</u>
		<u>1,417,956</u>	<u>2,217,900</u>
Total liabilities		<u>18,448,398</u>	<u>10,695,687</u>
Equity			
Share capital	1,16	1,972	1,655
Capital surplus	16	228,833,366	130,926,775
Other components of equity	17,19	11,572,340	4,066,296
Accumulated deficit	18	<u>(99,205,711)</u>	<u>(57,172,658)</u>
Total equity		<u>141,201,967</u>	<u>77,822,068</u>
Total liabilities and equity		<u>\$ 159,650,365</u>	<u>\$ 88,517,755</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.

NeolmmuneTech, Inc.
Separate Statements of Comprehensive Loss
Years Ended December 31, 2021 and 2020

<i>(in USD)</i>	Notes	2021	2020
Operating income		\$ -	\$ -
Operating expenses	20,26	41,688,374	26,186,578
Operating loss		<u>(41,688,374)</u>	<u>(26,186,578)</u>
Other income	6,21	7,444	129,337
Other expenses	21	5,545	-
Finance income	6,22	413,501	814,919
Finance costs	6,22,26	<u>760,079</u>	<u>217,567</u>
Loss before income tax		(42,033,053)	(25,459,889)
Income tax expense	23	<u>-</u>	<u>-</u>
Loss for the year		<u>(42,033,053)</u>	<u>(25,459,889)</u>
Other comprehensive income (loss)		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>\$ (42,033,053)</u>	<u>\$ (25,459,889)</u>
Loss per share attributable to the shareholders of the Company			
Basic loss per share	24	\$ (2.21)	\$ (1.54)
Diluted loss per share	24	(2.21)	(1.54)

The above separate statements of comprehensive loss should be read in conjunction with the accompanying notes.

NeolImmuneTech, Inc.
Separate Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

(in USD)

	Notes	Share Capital	Capital Surplus	Other Components of Equity	Accumulated Deficit	Total Equity
Balance at January 1, 2020		\$ 1,647	\$ 130,556,831	\$ 1,395,149	\$ (31,712,769)	\$ 100,240,858
Total comprehensive loss						
Loss for the year		-	-	-	(25,459,889)	(25,459,889)
Transactions with owners						
Exercise of share options		8	369,944	(129,952)	-	240,000
Share-based payment	19	-	-	2,801,099	-	2,801,099
Balance at December 31, 2020		<u>\$ 1,655</u>	<u>\$ 130,926,775</u>	<u>\$ 4,066,296</u>	<u>\$ (57,172,658)</u>	<u>\$ 77,822,068</u>
Balance at January 1, 2021		\$ 1,655	\$ 130,926,775	\$ 4,066,296	\$ (57,172,658)	\$ 77,822,068
Total comprehensive loss						
Loss for the year		-	-	-	(42,033,053)	(42,033,053)
Transactions with owners						
Proceeds from new share issuance		313	97,113,005	-	-	97,113,318
Exercise of share options		4	793,586	(258,090)	-	535,500
Share-based payment	19	-	-	7,764,134	-	7,764,134
Balance at December 31, 2021		<u>\$ 1,972</u>	<u>\$ 228,833,366</u>	<u>\$ 11,572,340</u>	<u>\$ (99,205,711)</u>	<u>\$ 141,201,967</u>

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

NeolmmuneTech, Inc.
Separate Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>(in USD)</i>	Notes	2021	2020
Cash flows from operating activities			
Cash used in operating activities	25	\$ (28,809,655)	\$ (27,014,755)
Interest paid		(164,102)	(141,707)
Net cash outflow from operating activities		<u>(28,973,757)</u>	<u>(27,156,462)</u>
Cash flows from investing activities			
Interest received		249,980	803,176
Proceeds from disposal of short-term financial instruments		-	5,087,386
Acquisition of financial assets at fair value through profit or loss		-	(20,127,422)
Proceeds from disposal of financial assets at fair value through profit or loss		-	20,256,758
Acquisition of property and equipment		(1,967,178)	(9,003)
Increase in long-term advance payments		-	(1,200,000)
Acquisition of investments in subsidiary		(3,000,000)	-
Net cash inflow (outflow) from investing activities		<u>(4,717,198)</u>	<u>4,810,895</u>
Cash flows from financing activities			
Proceeds from new share issuance		97,113,318	-
Exercise of share options		535,500	240,000
Payments of principal of lease liabilities		(378,180)	(209,029)
Net cash inflow from financing activities		<u>97,270,638</u>	<u>30,971</u>
Changes of foreign currency translation in cash and cash equivalents		(472,919)	-
Net increase (decrease) in cash and cash equivalents		63,106,764	(22,314,596)
Cash and cash equivalents at the beginning of the financial year	7	64,845,077	87,159,673
Cash and cash equivalents at the end of the year	7	<u>\$ 127,951,841</u>	<u>\$ 64,845,077</u>

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

1. General Information

NeolImmuneTech, Inc. (the Company) was established on January 29, 2014. The Company is engaged in researching, developing, manufacturing and selling cancer immunotherapy. The Company's headquarter is domiciled in Delaware, USA, and its major operation is in Maryland, USA.

On March 16, 2021, the Company listed its Depositary Receipts (DR, issued 5 DR per share) on the KOSDAQ of the Korea Stock Exchange. As at December 31, 2021, the Company's total number of authorized shares is 50,000,000 shares with a par value of USD 0.0001. The Company's major shareholders are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Genexine, Inc.	4,187,200	21.2
JK BioPharma Solutions, Inc.	1,400,000	7.1
Se Hwan Yang	1,100,000	5.6
Others	13,029,202	66.1
	<u>19,716,402</u>	<u>100.0</u>

2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Company prepares financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

NeolmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021.

(a) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the financial statements

(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the financial statements.

2.2.2 New and amended standards not yet adopted by the Company

New accounting standards and amendments that have been published but not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Company are as follows.

(a) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(e) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(f) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(g) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

NeolImmuneTech, Inc.

Notes to the Separate Financial Statements

December 31, 2021 and 2020

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(c) Amendment to Korean IFRS 1116 Lease - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements

(f) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

2.3 Subsidiaries

Investment in subsidiary is accounted at cost in the separate financial statements of the Company in accordance with Korean IFRS 1027 *Separate Financial Statements*.

If there is objective evidence of impairment for the investment in a subsidiary, the Company recognizes the difference between the recoverable amount of the subsidiary and its carrying amount as impairment loss.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The separate financial statements are presented in US dollars, which is the Company's functional and presentation currency.

NeolmmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification

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

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

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

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income or costs' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other income or expenses' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

NeolmmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

	Useful lives
Lab equipment	5 years
Furniture and supplies	5
Leasehold improvements	5

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.7 Intangible Assets

Intangible asset of the Company is a right-to-use of intellectual property, initially recognized at its historical cost and presented at cost less accumulated amortization and accumulated impairment losses.

The Company amortizes a-right-to-use of intellectual property with a limited useful life of 20 years, using the straight-line method.

The Company entered into a license-in agreement regarding new drug development. The Company recognized upfront fees paid pursuant to the agreement as intangible asset since the Company determined that it is probable that future economic benefits associated with the acquired right-to-use of intellectual property will flow into the Company.

2.8 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Other Payables and Accrued Expenses

Liabilities that have been billed but not paid for the goods or services received before the end of the reporting period are recognized as other payables, and liabilities incurred for the goods or services received but not paid because those are not billed before the end of the reporting period, are recognized as accrued expenses. The amounts are unsecured, are usually paid within 30 days of being billed, and are presented as current liabilities.

2.10 Financial Liabilities

(a) Classification and measurement

The Company's financial liabilities at fair value through profit or loss are financial instruments held for

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'other payables', and 'borrowings' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.11 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.12 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis.

2.13 Share-based Payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense or investment in subsidiary is recognized over the vesting period. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and capital surplus (share premium).

2.14 Revenue Recognition

The Company has not recognized any revenue as there have been no sales of goods or rendering services in the ordinary course of business until the year ended December 31, 2021.

Revenue from the sale of goods is recognized when the control of the products has transferred to the customer.

The Company's contract with customers for the license-out may include upfront payment at the point of entering into contract and milestone payment upon achievement of certain conditions. Revenue is recognized either at the point time or over the period, depending on the timing of performance obligation is satisfied.

2.15 Leases

The Company leases various offices, lab equipment and office equipment. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.16 Segment Reporting

Operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. In accordance with Korean IFRS 1108 *Segment Reporting*, the Company has one operating segment.

2.17 Reclassification of Prior Year Financial Statements

Certain accounts in comparative separate statements of financial position as at December 31, 2020, have been reclassified from the separate statements of financial position and notes attached to the audit report dated March 19, 2021.

2.18 Approval of Issuance of the Financial Statements

The separate financial statements 2021 were approved for issue by the Board of Directors on February 16, 2022.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(b) Intangible assets

The Company recognizes upfront fees and milestone fees paid in connection with license-in agreement as intangible asset when the payments of fees meet the definition of intangible asset and recognition criteria. The Company performs an assessment on the indication of impairment of intangible asset at the end of each reporting period. If any indication of impairment exists, the Company performs impairment assessment by estimating the recoverable amount of the right-to-use of intellectual property (Note 12).

(c) Share-based payment

The Company measures the cost of equity-settled share-based payment transaction based on the fair value of common shares and share options at the grant date. The fair values of common shares and share option are estimated by using appropriate valuation models and assumptions for various inputs (Note 19).

(d) Income taxes

Current and deferred tax is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. However, actual future final income tax may not correspond to the related asset and liabilities recognized as the end of the reporting period and such differences may affect current and deferred tax assets and liabilities recognized at the time final income tax effect is determined.

A deferred tax asset is recognized for unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The Company has recognized no deferred tax assets based on the assessment that the likelihood of utilizing unused tax losses to be carryforward is remote (Note 23).

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk) and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the Company's financial performance.

4.1.1 Market Risk

(a) Foreign exchange risk

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in US dollar, was as follows:

<i>(in USD)</i>	<u>2021</u>	<u>2020</u>
	KRW	KRW
Foreign currency assets		
Cash and cash equivalents	\$ 38,590,353	\$ -
	<u>38,590,353</u>	<u>-</u>
Foreign currency liabilities		
Lease liabilities	-	792,774
Other payables	1,687	75,827
	<u>1,687</u>	<u>868,601</u>
Foreign currency assets (liabilities), net	<u>\$ 38,588,666</u>	<u>\$ (868,601)</u>

The table below summarizes the impact of increases/decreases in the exchange rate on the Company's equity and post-tax profit for the year. The analysis is based on the assumption that the indexes has increased/decreased by 10% with all other variables held constant.

<i>(in USD)</i>		<u>Impact on post-tax profit</u>		<u>Impact on equity</u>	
		2021	2020	2021	2020
KRW/	Increase 10%	\$ 3,858,867	\$ (86,860)	\$ 3,858,867	\$ (86,860)
US dollar	Decrease 10%	(3,858,867)	86,860	(3,858,867)	86,860

(b) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings which will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

NeolmmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

At the end of the reporting period, as the Company has floating rate deposits, interest income increases when interest rates increase.

The table below summarizes the impact of increases/decreases in the interest rate on the Company's equity and post-tax profit for the year. The analysis is based on the assumption that the interest rate has increased/decreased by 0.1% (10 basis points) with all other variables held constant.

<i>(in USD)</i>	<u>Impact on post-tax profit</u>		<u>Impact on equity</u>	
	2021	2020	2021	2020
Increase	\$ 116,783	\$ 60,988	\$ 116,783	\$ 60,988
Decrease	(116,783)	(60,988)	(116,783)	(60,988)

4.1.2 Credit Risk

The Company is exposed to credit risk which arises during the investing activities where other parties fail to discharge an obligation. Credit risk usually arises from cash and cash equivalents and financial assets at fair value through profit or loss. As the Company makes deposits to the financial institutions whose credit ratings are high, credit risk from the financial institutions is limited.

The maximum exposures to credit risk as at December 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Cash and cash equivalents	\$ 127,951,841	\$ 64,845,077
Other current financial assets	13,203	-
Other non-current financial assets	62,843	58,846
	<u>\$ 128,027,887</u>	<u>\$ 64,903,923</u>

4.1.3 Liquidity Risk

Liquidity risk represents the risk that the Company may encounter difficulties in fulfilling its obligations to repay financial liabilities or in being able to have additional funding for its normal business operations due to liquidity shortage. The Company secures and maintains the appropriate level of liquidity and accordingly manages the liquidity risk in advance by forecasting the projected cash flows from operating, investing and financing activities for an annual fiscal year.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Details of the Company's liquidity risk analysis as at December 2021 and 2020, are as follows:

(in USD)

	2021					Total	Carrying amount
	Less than 6 months	Between 6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		
Other payables	\$ 2,120,286	\$ -	\$ -	\$ -	\$ -	\$ 2,120,286	\$ 2,120,286
Accrued expenses (Note 14)	14,073,039	-	-	-	-	14,073,039	14,073,039
Lease liabilities (Note 11)	160,295	160,207	326,916	1,026,631	452,113	2,126,162	1,727,242
	<u>\$ 16,353,620</u>	<u>\$ 160,207</u>	<u>\$ 326,916</u>	<u>\$ 1,026,631</u>	<u>\$ 452,113</u>	<u>\$ 18,319,487</u>	<u>\$ 17,920,567</u>

(in USD)

	2020					Total	Carrying amount
	Less than 6 months	Between 6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years		
Other payables	\$ 1,149,988	\$ -	\$ -	\$ -	\$ -	\$ 1,149,988	\$ 1,149,988
Accrued expenses (Note 14)	6,585,811	-	-	-	-	6,585,811	6,585,811
Lease liabilities (Note 11)	243,799	244,944	488,898	1,465,012	802,686	3,245,339	2,705,583
	<u>\$ 7,979,598</u>	<u>\$ 244,944</u>	<u>\$ 488,898</u>	<u>\$ 1,465,012</u>	<u>\$ 802,686</u>	<u>\$ 10,981,138</u>	<u>\$ 10,441,382</u>

5. Fair Value

5.1 Fair Value Hierarchy

Items that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

There are no financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2021 and 2020. Assets and liabilities whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosure. During the year ended December 31, 2021, there have been no significant changes in the business and economic environment affecting the fair value of the Company's financial assets and liabilities.

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets by category as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	<u>2021</u>	<u>2020</u>
	Financial assets at amortized	Financial assets at amortized
Cash and cash equivalents	\$ 127,951,841	\$ 64,845,077
Other current financial assets	13,203	-
Other non-current financial assets	62,843	58,846
	<u>\$ 128,027,887</u>	<u>\$ 64,903,923</u>

Carrying amounts of financial liabilities by category as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	<u>2021</u>	<u>2020</u>
	Financial liabilities at amortized	Financial liabilities at amortized
Other payables	\$ 2,120,286	\$ 1,149,988
Other current financial liabilities	14,073,039	6,585,811
	<u>\$ 16,193,325</u>	<u>\$ 7,735,799</u>

6.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	<u>2021</u>	<u>2020</u>
Financial assets at amortized cost		
Interest income	\$ 326,610	\$ 803,648
Gain on foreign currency translation	1,839	-
Loss on foreign currency translation	(474,758)	-
Financial assets at fair value through profit or loss		
Gain on disposal	-	129,337
Financial liabilities at amortized cost		
Gain on foreign currency transaction	2,841	11,271
Loss on foreign currency transaction	(121,208)	(21,476)
Gain on foreign currency translation	25	-
Loss on foreign currency translation	(11)	(54,384)

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

7. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2021 and 2020, consist of:

<i>(in USD)</i>	2021	2020
Bank deposits	\$ 127,951,841	\$ 64,845,077

There are no restricted cash and cash equivalents as at December 31, 2021 and 2020.

8. Other Financial Assets

Other financial assets as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Other receivables	\$ 13,203	\$ -
Deposits provided	62,843	58,846
	<u>76,046</u>	<u>58,846</u>
Less: non-current portion	(62,843)	(58,846)
Current portion	<u>\$ 13,203</u>	<u>\$ -</u>

None of the other financial assets are either past due or impaired.

9. Other Assets

Other assets as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Prepaid expenses ¹	\$ 13,151,058	\$ 11,421,150
Advance payment ²	-	1,200,000
	<u>13,151,058</u>	<u>12,621,150</u>
Less: non-current portion	(2,930,584)	(3,999,910)
Current portion	<u>\$ 10,220,474</u>	<u>\$ 8,621,240</u>

¹ Prepaid expenses related to research and development of the total prepaid expenses were USD 13,048,322 (2020: USD 11,326,661). It also includes prepayment for the purchase of the reagents for clinical trial amounts to USD 9,015,828 related to IL-7-hyFC ("NT-I7") from Genexine Co., Ltd. (Notes 26 and 28).

² The entire advance payment as at December 31, 2020, was recognized as research and

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

development expenses on the separate statements of comprehensive loss for the year ended December 31, 2021 (Notes 20 and 28).

10. Property and Equipment

Details of property and equipment as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021			2020		
	Cost	Accumulated depreciation	Book amount	Cost	Accumulated depreciation	Book amount
Lab equipment	\$ 1,933,632	\$ (74,613)	\$ 1,859,019	\$ -	\$ -	\$ -
Furniture and supplies	304,050	(186,211)	117,839	272,654	(138,016)	134,638
Leasehold improvements	24,074	(17,837)	6,237	24,074	(13,023)	11,051
	<u>\$ 2,261,756</u>	<u>\$ (278,661)</u>	<u>\$ 1,983,095</u>	<u>\$ 296,728</u>	<u>\$ (151,039)</u>	<u>\$ 145,689</u>

Changes in property and equipment for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021			
	Furniture and supplies	Leasehold improvements	Lab equipment	Total
Beginning net book amount	\$ 134,638	\$ 11,051	\$ -	\$ 145,689
Acquisitions	33,546	-	1,933,632	1,967,178
Disposals	(730)	-	-	(730)
Depreciation	(49,615)	(4,814)	(74,613)	(129,042)
Ending net book amount	<u>\$ 117,839</u>	<u>\$ 6,237</u>	<u>\$ 1,859,019</u>	<u>\$ 1,983,095</u>

<i>(in USD)</i>	2020		
	Furniture and supplies	Leasehold improvements	Total
Beginning net book amount	\$ 173,913	\$ 15,866	\$ 189,779
Acquisitions	9,003	-	9,003
Depreciation	(48,278)	(4,815)	(53,093)
Ending net book amount	<u>\$ 134,638</u>	<u>\$ 11,051</u>	<u>\$ 145,689</u>

NeolmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

11. Leases

Right-of-use assets as at December 31, 2021 and 2020, consist of:

<i>(in USD)</i>	2021			2020		
	Cost	Accumulated depreciation	Book amount	Cost	Accumulated depreciation	Book amount
Buildings	\$ 2,114,773	\$ (640,742)	\$ 1,474,031	\$ 2,114,773	\$ (404,898)	\$ 1,709,875
Lab equipment ¹	-	-	-	772,327	(34,983)	737,344
Supplies	31,250	(19,617)	11,633	30,225	(18,705)	11,520
	<u>\$ 2,146,023</u>	<u>\$ (660,359)</u>	<u>\$ 1,485,664</u>	<u>\$ 2,917,325</u>	<u>\$ (458,586)</u>	<u>\$ 2,458,739</u>

¹ During the year ended December 31, 2021, the lease was terminated since the Company purchased lab equipment used by the Company as a lessee (Note 26).

Changes in right-of-use assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021			
	Buildings	Lab equipment	Supplies	Total
Beginning balance	\$ 1,709,875	\$ 737,344	\$ 11,520	\$ 2,458,739
Acquisitions	-	1,280,924	10,488	1,291,412
Depreciation	(235,844)	(204,066)	(10,375)	(450,285)
Termination of lease	-	(1,814,202)	-	(1,814,202)
Ending balance	<u>\$ 1,474,031</u>	<u>\$ -</u>	<u>\$ 11,633</u>	<u>\$ 1,485,664</u>

<i>(in USD)</i>	2020			
	Buildings	Lab equipment	Supplies	Total
Beginning balance	\$ 1,945,719	\$ -	\$ 21,881	\$ 1,967,600
Acquisitions	-	772,327	-	772,327
Depreciation	(235,844)	(34,983)	(10,361)	(281,188)
Ending balance	<u>\$ 1,709,875</u>	<u>\$ 737,344</u>	<u>\$ 11,520</u>	<u>\$ 2,458,739</u>

NeolmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Lease liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Lease liabilities		
Current	\$ 309,286	\$ 487,683
Non-current	1,417,956	2,217,900
	<u>\$ 1,727,242</u>	<u>\$ 2,705,583</u>

Changes in lease liabilities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Beginning balance	\$ 2,705,583	\$ 2,088,495
Acquisitions of lease assets	1,291,412	772,327
Termination of lease	(1,809,387)	-
Payments of lease liabilities	(542,282)	(350,736)
Interest expenses	164,102	141,707
Exchange differences	(82,186)	53,790
Ending balance	<u>\$ 1,727,242</u>	<u>\$ 2,705,583</u>

The separate statement of comprehensive loss shows the following amounts relating to leases:

<i>(in USD)</i>	2021	2020
Depreciation of right-of-use assets (included in depreciation of operating expenses)		
Buildings	\$ 235,844	\$ 235,844
Lab equipment	204,066	34,983
Supplies	10,375	10,361
	<u>\$ 450,285</u>	<u>\$ 281,188</u>
Interest expense relating to lease liabilities (included in finance cost)	\$ 164,102	\$ 141,707
Expense relating to leases of low-value assets that are not short-term leases (included in office supplies expenses of operating expenses)	3,612	3,436

The total cash outflow for leases in 2021 was USD 545,894 (2020: USD 354,172).

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

12. Intangible Assets

Details of intangible assets as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021			2020		
	Cost	Accumulated amortization	Book amount	Cost	Accumulated amortization	Book amount
Right-to-use of intellectual property	\$ 7,500,000	\$ (1,940,709)	\$ 5,559,291	\$ 7,500,000	\$ (1,552,787)	\$ 5,947,213

The Company acquired a right-to-use of intellectual property (license) for NT-I7 from Genexine, Inc., and retains a right-to-use of the technology until 2036, the year of expiration for the patent of NT-I7 (Note 28).

Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021		
	Beginning balance	Amortization	Ending balance
Right-to-use of intellectual property	\$ 5,947,213	\$ (387,922)	\$ 5,559,291

<i>(in USD)</i>	2020		
	Beginning balance	Amortization	Ending balance
Right-to-use of intellectual property	\$ 6,335,136	\$ (387,923)	\$ 5,947,213

13. Investment in Subsidiary

Details of investment in subsidiary as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	Name of entity	Location	Percentage of ownership (%)	2021	2020
	NeImmuneTech Co., Ltd.	Korea	100	\$ 9,443,370	\$ 2,441,041

The amount of investment in subsidiary as at December 31, 2021, includes the share-based payments amounting to USD 4,002,329 (2020: USD 549,932) recognized during the year ended December 31, 2021, in relation to the Company's share options granted to the employees of the subsidiary.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

14. Other Financial Liabilities

Details of other financial liabilities as at December 31, 2021 and 2020, are as follows :

<i>(in USD)</i>	2021	2020
Accrued expenses ¹	\$ 14,073,039	\$ 6,585,811
	<u>14,073,039</u>	<u>6,585,811</u>
Less: non-current portion	-	-
Current portion	<u>\$ 14,073,039</u>	<u>\$ 6,585,811</u>

¹ Accrued expenses related to research and development expenses of the total accrued expenses were USD 14,073,039 (2020: USD 6,543,485).

15. Other Liabilities

Details of other liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Withholdings	\$ -	\$ 20,294
Accrued expenses	<u>527,831</u>	<u>234,011</u>
	527,831	254,305
Less: non-current portion	-	-
Current portion	<u>\$ 527,831</u>	<u>\$ 254,305</u>

16. Share Capital and Capital Surplus

As at December 31, 2021, the Company's total number of authorized shares is 50,000,000 shares and the total number of ordinary shares issued is 19,716,402 shares with a par value of USD 0.0001 per share.

Changes in share capital and capital surplus for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD and number of shares)</i>	2021		
	Beginning balance	Increase in ordinary shares	Ending balance
Outstanding shares	16,545,068	3,171,334	19,716,402
Share capital	\$ 1,655	\$ 317	\$ 1,972
Capital surplus	\$ 130,926,775	\$ 97,906,591	\$ 228,833,366

¹ On March 16, 2022, the Company newly listed its Depositary Receipts (DR) on the KOSDAQ of the Korea Stock Exchange, and issued 3,133,334 new shares (15,666,670 DR) for KRW 117,500 million

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(USD 102,965 thousand). The cost directly attributed to issuance of the new share amounting to KRW 6,639 million (USD 5,852 thousand) was deducted directly from the capital surplus increased upon issuance of the new share. Furthermore, 38,000 shares (190,000 DR) were increased due to the exercise of share options (Note 19).

(in USD and in number of shares)

	2020		
	Beginning balance	Increase in ordinary shares¹	Ending balance
Outstanding shares	16,465,068	80,000	16,545,068
Share capital	\$ 1,647	\$ 8	\$ 1,655
Capital surplus	\$ 130,556,831	\$ 369,944	\$ 130,926,775

¹ It is due to the exercise of share options granted to employees.

17. Other Components of Equity

Details of other components of equity as at December 31, 2021 and 2020, consist of:

<i>(in USD)</i>	2021	2020
Share options	\$ 11,572,340	\$ 4,066,296

18. Accumulated Deficit

Accumulated deficit as at December 31, 2021 and 2020, consists of:

<i>(in USD)</i>	2021	2020
Accumulated deficit before disposition	\$ (99,205,711)	\$ (57,172,658)

The disposition of accumulated deficit for the year ended December 31, 2021, is expected to be approved at the shareholders' meeting on March 31, 2022. The disposition date for the year ended December 31, 2020, was March 31, 2021.

Statements of disposition of accumulated deficit for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Undisposed accumulated deficit carried over from prior year	\$ (57,172,658)	\$ (31,712,769)
Loss for the year	(42,033,053)	(25,459,889)
Accumulated deficit available for disposition	(99,205,711)	(57,172,658)
Undisposed accumulated deficit to be carried forward	<u>\$ (99,205,711)</u>	<u>\$ (57,172,658)</u>

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

19. Share-based Payments

The Company granted share option to selected employees based on the approval of the Board or general shareholders' meeting. Details are as follows:

- Type of shares to be issued as share-based payments: registered ordinary shares
- Grant method: issuance of new ordinary shares
- Vesting conditions and exercise of options (share options are exercisable if service conditions are met):
 - 3rd tranche: The share options are exercisable if the employees render services for two years after the grant date.
 - 4th tranche: The share options are vested and exercisable if the employees render services for two years, three years or four years after the grant date.
 - 5th tranche of share options: The share options are exercisable if the employees render services for two years or three years after the grant date.
 - 6th tranche of share options: The share options are exercisable if the employees render services for two years or three years after the grant date.
 - 7th tranche of share options: The share options are exercisable if the employees render services for two years or three years after the grant date.

Share options	Grant date	Number of options granted	Vesting condition
3rd tranche	2018.07.30	37,500 shares	Rendering of services for two years
4th tranche	2019.08.30	632,000 shares	Rendering of services for two years, three years or four years
5th tranche	2021.03.16	470,888 shares	Rendering of services for two years or three years
6th tranche	2021.03.31	101,500 shares	Rendering of services for two years or three years
7th tranche	2021.09.28	67,700 shares	Rendering of services for two years or three years

The 1st tranche of share options of 140,000 shares and the 2nd tranche of share options of 60,000 shares were granted on June 24, 2016 and June 15, 2017, respectively, under a condition that the share options will be vested when certain performances are achieved. Subsequently, in February 2018, the vesting conditions of 1st and 2nd tranches of share options were changed to immediate vesting upon the date of IPO. Then, in January 2019, all the remaining unvested 1st and 2nd tranches of share options were vested immediately due to the change of vesting condition.

8,500 shares (42,500 DR) of the 1st and 2nd tranches of share options were exercised during 2021.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The 3rd tranche of share options of 37,500 shares granted on July 30, 2018 were all vested on July 30, 2020, of which 15,500 shares (77,500 DR) were exercised during 2021.

Of the 4th tranche of share options of 632,000 shares granted on August 30, 2019, 235,000 shares were vested on August 31, 2021. 14,000 shares(70,000 DR) of 4th tranche of share options were exercised during 2021.

Changes in the number of share options outstanding and their related weighted average exercise prices for the years ended December 31, 2021 and 2020, are as follows:

	Number of options (in shares)		Average exercise price per share option (in USD)	
	2021	2020	2021	2020
Beginning balance	721,000	834,500	\$ 21.6	\$ 19.9
Granted	640,088	-	61.0	-
Exercised	(38,000)	(80,000)	14.1	3.0
Forfeited ¹	(160,775)	(33,500)	31.7	25.0
Ending balance	<u>1,162,313</u>	<u>721,000</u>	<u>\$ 42.1</u>	<u>\$ 21.6</u>
Exercisable at the end of the reporting period	324,500	127,500	\$ 18.6	\$ 5.5

¹ Share options granted were forfeited due to resignation of the employee prior to vesting.

The above quantity and exercise price are based on one share of the Company, and one share of the Company represents 5 DR currently traded in the KOSDAQ.

The weighted average remaining contractual maturity of share options outstanding at the end of the reporting period is 9.30 years (2020: 8.30 years) and the exercise prices are between USD 3~63.2 (2020: USD 3~25) per share.

38,000 share options (190,000 DR) were exercised at USD 3~25 per share during 2021, and the weighted average share price at the time of exercise was KRW 9,960 per 1 DR (KRW 49,800 per share).

The share options granted are measured at fair value at the grant date, and the increase in equity based on such fair value of share options is correspondingly recognized as salaries, research and development expenses, commission expenses or investment in subsidiary over the vesting periods.

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The Company recognized share-based payments based on the fair value of stock option measured using the binomial model approach. The related assumptions and variables to measure the share-based payments are as follows:

<i>(in USD)</i>	2021
Fair value of share options granted during the year	\$ 27.23 ~ \$ 41.69
Share price at grant date	\$ 42.73 ~ \$ 63.20
Price volatility ¹	70.7% ~ 72.9%
Contractual maturity of share options ²	10 years
Risk-free interest rate	1.09% ~ 2.13%

¹ The price volatility of listed benchmark companies was used.

² When measuring the fair value of share options, the Company applied the expected maturity in consideration of the effects of early exercise by employees due to restriction on transfer of share options and cessation of employment.

Share-based payments recognized for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Salaries	\$ 2,039,401	\$ 1,296,718
Research and development expenses	1,448,842	954,449
Investment in subsidiary	4,002,329	549,932
Commission expenses	273,562	-
	<u>\$ 7,764,134</u>	<u>\$ 2,801,099</u>

20. Breakdown of Expenses by Nature

Expenses by nature for the years ended December 31, 2021 and 2020, consist of:

<i>(in USD)</i>	2021	2020
Salaries	\$ 8,657,442	\$ 7,016,774
Employee benefits ¹	597,322	382,831
Depreciation	579,327	334,281
Amortization	387,922	387,923
Commission expenses	30,339,160	17,134,178
Others	1,127,201	930,591
	<u>\$ 41,688,374</u>	<u>\$ 26,186,578</u>

¹ Employee benefits include the considerations paid by the Company for its employees under 401k Plan in the United States and in relation to this, the amount recognized as expenses for the year ended December 31, 2021, is USD 134,825 (2020: USD 114,556).

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Research and development expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Salaries	\$ 2,880,637	\$ 2,931,689
Salaries (Share-based payments)	1,448,842	954,449
Commission expenses	25,477,140	14,309,916
Amortization	387,922	387,923
Depreciation	278,679	34,983
	<u>\$ 30,473,220</u>	<u>\$ 18,618,960</u>

21. Other Income and Expenses

(a) Other Income

<i>(in USD)</i>	2021	2020
Gain on disposal of financial assets at fair value through profit or loss	\$ -	\$ 129,337
Miscellaneous gains	7,444	-
	<u>\$ 7,444</u>	<u>\$ 129,337</u>

(b) Other Expenses

<i>(in USD)</i>	2021	2020
Loss on disposal of property and equipment	\$ 730	\$ -
Loss on termination of lease	4,815	-
	<u>\$ 5,545</u>	<u>\$ -</u>

22. Finance Income and Costs

(a) Finance Income

<i>(in USD)</i>	2021	2020
Interest income	\$ 326,610	\$ 803,648
Gain on foreign currency translation	84,050	-
Gain on foreign currency transactions	2,841	11,271
	<u>\$ 413,501</u>	<u>\$ 814,919</u>

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(b) Finance Costs

<i>(in USD)</i>	2021	2020
Interest expenses	\$ 164,102	\$ 141,707
Loss on foreign currency translation	474,769	54,384
Loss on foreign currency transactions	121,208	21,476
	<u>\$ 760,079</u>	<u>\$ 217,567</u>

23. Tax Expense

Income tax expense for the years ended December 31, 2021 and 2020, consists of:

<i>(in USD)</i>	2021	2020
Current tax	\$ -	\$ -
Deferred tax	-	-
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate as follows:

<i>(in USD)</i>	2021	2020
Loss before income tax expense	\$ (42,033,053)	\$ (25,459,889)
Tax with statutory tax rate applied	(11,291,848)	(6,960,807)
Tax effects of:		
Expenses not deductible for tax purposes	283,424	157,945
Unrecognized deferred tax assets	11,170,155	6,617,881
Others (effects of change in tax rate and others)	(161,731)	184,981
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

The effective tax rates for the years ended December 31, 2021 and 2020, were not calculated as the loss before income tax incurred.

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in USD)

	2021		
	Beginning balance	Increase (decrease)	Ending balance
Right-of-use assets	\$ (672,227)	\$ 273,115	\$ (399,112)
Intangible assets	(125,007)	(27,932)	(152,939)
Property and equipment	81	(2,567)	(2,486)
	<u>(797,153)</u>	<u>242,616</u>	<u>(554,537)</u>
Lease liabilities	739,714	(275,704)	464,010
Share-based payment expenses	1,664,351	1,128,590	2,792,941
Accrued expenses	1,805,566	1,979,155	3,784,721
	<u>4,209,631</u>	<u>2,832,041</u>	<u>7,041,672</u>
Deferred tax assets (liabilities) due to temporary differences	3,412,478	3,074,657	6,487,135
Tax loss	12,495,783	8,541,935	21,037,718
Tax credit carried forward	435,640	432,709	868,349
Unrecognized deferred tax assets	(16,343,901)	(12,049,301)	(28,393,202)
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(in USD)

	2020		
	Beginning balance	Increase (decrease)	Ending balance
Right-of-use assets	\$ (541,434)	\$ (130,793)	\$ (672,227)
Intangible assets	(94,908)	(30,099)	(125,007)
	<u>(636,342)</u>	<u>(160,892)</u>	<u>(797,234)</u>
Property and equipment	62	19	81
Lease liabilities	574,702	165,012	739,714
Share-based payment expenses	440,889	1,223,462	1,664,351
Accrued expenses	4,779	1,800,787	1,805,566
	<u>1,020,432</u>	<u>3,189,280</u>	<u>4,209,712</u>
Deferred tax assets (liabilities) due to temporary differences	384,090	3,028,388	3,412,478
Tax loss	8,295,464	4,200,319	12,495,783
Tax credit carried forward	-	435,640	435,640
Unrecognized deferred tax assets	(8,679,554)	(7,664,347)	(16,343,901)
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The analysis of deferred tax assets and liabilities as at December 31, 2021 and 2020, is as follows:

<i>(in USD)</i>	2021	2020
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	\$ 554,537	\$ 797,234
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(554,537)	(797,234)
Deferred tax liability to be recovered within 12 months	-	-
Deferred tax assets (liabilities), net	<u>\$ -</u>	<u>\$ -</u>

Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020	Remarks
Unused net operating losses ¹	\$ 78,302,063	\$ 45,696,659	Uncertainty of sufficient future taxable profit
Tax credit carried forward ¹	868,349	435,640	Uncertainty of sufficient future taxable profit
Accrued expenses and others	24,109,554	12,470,936	Uncertainty of sufficient future taxable profit

¹ The maturity of unused net operating losses and unused tax credit is as follows:

<i>(in USD)</i>	2021		2020	
	Tax loss¹	Tax credit carried forward	Tax loss¹	Tax credit carried forward
Less than 1 year	\$ -	\$ -	\$ -	\$ -
1 to 5 years	-	-	-	-
Over 5 years	<u>78,302,063</u>	<u>868,349</u>	<u>45,696,659</u>	<u>435,640</u>
	<u>\$ 78,302,063</u>	<u>\$ 868,349</u>	<u>\$ 45,696,659</u>	<u>\$ 435,640</u>

¹ Losses incurred before 2017 are available for deduction from the future taxable income over 20 years after incurred, and losses incurred after 2018 have no maturity for expiration.

NeolmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

24. Loss per Share

Basic loss per share are calculated by dividing the loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the financial year.

(a) Basic loss per share

<i>(in USD)</i>	2021	2020
Loss attributable to the ordinary equity holders	\$ (42,033,053)	\$ (25,459,889)
Weighted average number of ordinary shares outstanding	<u>19,051,844 shares</u>	<u>16,528,784 shares</u>
Basic loss per share	<u>\$ (2.21)</u>	<u>\$ (1.54)</u>

(b) Diluted loss per share

The Company did not issue any potential ordinary shares. Therefore, basic loss per share is identical to diluted loss per share.

25. Cash Used in Operating Activities

(a) Cash used in operations

<i>(in USD)</i>	2021	2020
Loss before income tax	\$ (42,033,053)	\$ (25,459,889)
Adjustments for:		
Interest expenses	164,102	141,707
Loss on foreign currency translation	474,769	54,382
Depreciation	579,327	334,281
Amortization	387,922	387,923
Salaries (share-based payments)	2,039,401	1,296,718
Research and development expenses (share-based payments)	1,448,842	954,449
Commission expenses (share-based payments)	273,562	-
Research and development expenses	1,200,000	-
Loss on termination of lease	4,815	-
Loss on disposal of property and equipment	730	-
Interest income	(326,610)	(803,648)
Gain on foreign currency translation	(84,050)	-
Gain on disposal of financial assets at fair value through profit or loss	-	(129,336)
Change in operating assets and liabilities:		
Increase in other receivables	(13,203)	-

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

<i>(in USD)</i>	2021	2020
Increase in prepaid expenses	(1,562,864)	(6,839,763)
Increase in long-term prepaid expenses	(94,411)	(2,143,580)
Increase (decrease) in other payables	970,312	(495,644)
Increase in accrued expenses	7,781,048	5,691,016
Decrease in withholdings	(20,294)	(3,371)
Cash used in operating activities	<u>\$ (28,809,655)</u>	<u>\$ (27,014,755)</u>

(b) Significant transactions not affecting cash flows

Significant transactions not affecting cash flows for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	2021	2020
Acquisitions of right-of-use assets	\$ 1,291,412	\$ 772,327
Termination of lease	1,809,387	-
Share-based payment recognized as investment in subsidiary	4,002,329	549,932

(c) Changes in liabilities arising from financing activities

Changes in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in USD)</i>	Liabilities from financing activities	
	Lease liabilities	
At January 1, 2020	\$	2,088,495
Acquisitions – leases		772,327
Cash flows		(350,737)
Other non-financial changes		195,498
At December 31, 2020	<u>\$</u>	<u>2,705,583</u>
At January 1, 2021	\$	2,705,583
Acquisitions – leases		1,291,412
Termination – leases		(1,809,387)
Cash flows		(542,282)
Other non-financial changes		81,916
At December 31, 2021	<u>\$</u>	<u>1,727,242</u>

NeImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

26. Related Party Transactions

Details of related parties that have sales and other transactions with the Company or have outstanding balances as at December 31, 2021 and 2020, are as follows:

Type	2021	2020	Relationship
Subsidiary	NeImmuneTech Co., Ltd.	NeImmuneTech Co., Ltd.	-
Other related parties	Genexine, Inc.	Genexine, Inc.	Significant influence over the Company

Sales and purchases with related parties for the years ended December 31, 2021 and 2020, are as follows:

(in USD)

Type	Name of entity	Accounts	2021	2020
Subsidiary	NeImmuneTech Co., Ltd.	Share-based payments ¹	\$ 4,002,329	\$ 549,932
		Commission expenses	2,577,507	1,199,910
		Research and development	2,833,107	1,149,281
		Acquisitions of right-of-use assets	1,280,924	772,327
		Acquisitions of property and equipment	1,933,632	-
Other related parties	Genexine, Inc.	Interest expenses	42,618	8,037
		Research and development	1,181,870	1,603,381

¹ The amounts represent the share-based payments related to the Company's share options granted to the employees of the subsidiary and those amounts are included in investment in subsidiary.

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2021 and 2020, are as follows:

(in USD)

Type	Name of entity	Accounts	2021	2020
Subsidiary	NeImmuneTech Co., Ltd.	Other payables	\$ 880,321	\$ 341,856
		Lease liabilities	-	792,775
Other related parties	Genexine, Inc.	Prepaid expenses	9,030,233	7,713,961
		Other payables	316,749	572,289

The Company paid USD 1,319,889 to Genexine, Inc. for the products related to NT-I7 which are

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

produced by a third-party contract manufacturer, and USD 316,499 has not yet been paid at the end of the reporting period. As ownership and control of the related products has not been transferred to the Company at the end of the reporting period, the consideration paid is included in prepaid expenses.

Fund transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(in USD)

Type	Name of entity	2021		
		Borrowing transactions ¹		Cash contribution ²
		Borrowings	Repayments	
Subsidiary	NeolImmuneTech Co., Ltd.	\$ 1,280,924	\$ 224,743	\$ 3,000,000

¹ The Company has used lab equipment owned by NeolImmuneTech Co., Ltd., a subsidiary of the Company, for the Company's own development purposes and paid the consideration for the use of lab equipment to the subsidiary, and present value of total consideration to be paid for the use of lab equipment is recognized as lease liabilities and right-of-use assets. During 2021, right-of-use assets and lease liabilities of USD 1,280,924 are recognized in respect to lease transaction. The repayment of lease liabilities during the year is USD 224,743 and interest expenses amount to USD 42,618. As the Company purchased the lab equipment used as a lessee during 2021, the lease contract was terminated. Upon termination of the lease, decreased lease liability amounted to USD 1,809,387.

² On April 8, 2021, the Company made an additional USD 3,000,000 investment in NeolImmuneTech Co., Ltd., a subsidiary.

(in USD)

Type	Name of entity	2020	
		Borrowing transactions ¹	
		Borrowings	Repayments
Subsidiary	NeolImmuneTech Co., Ltd.	\$ 772,327	\$ 41,380

¹The Company has used lab equipment owned by NeolImmuneTech Co., Ltd., a subsidiary of the Company, for the Company's own development purposes and paid the consideration for the use of lab equipment to the subsidiary, and present value of total consideration to be paid for the use of lab equipment is recognized as lease liabilities and right-of-use assets. During 2020, right-of-use assets and lease liabilities of USD 772,327 are recognized in respect to lease transaction. The repayment of lease liabilities during the year is USD 41,380 and interest expenses amount to USD 8,037.

The Company entered into purchase and supply agreements for a right-to-use of intellectual property with Genexine, Inc., a related party (Note 28).

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The compensation paid or payable to key management, that are considered the members of board of directors who have significant authority and responsibility in respect to operating of the Company, for employee services for the years ended December 31, 2021 and 2020, consists of:

<i>(in USD)</i>	2021	2020
Salaries and other compensations	\$ 331,760	\$ 1,075,285
Share-based payments	542,380	1,013,067
	<u>\$ 874,140</u>	<u>\$ 2,088,352</u>

There is no payment guarantee provided by the related parties as at December 31, 2021 and 2020.

27. Segment Reporting

Operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. In accordance with Korean IFRS 1108 *Segment Reporting*, the Company has one operating segment.

28. Commitments

(a) Right-to-use of intellectual property

a) License for NT-I7

In June 2015, the Company acquired a right-to-use of intellectual property (license) for NT-I7 from Genexine, Inc., and retains a right-to-use of the technology until 2036, the year of expiration for the patent of NT-I7 (Note 12). At inception of license-in-agreement, the Company paid USD 4,500,000 to Genexine, Inc. (total acquisition amounts: USD 12,500,000, including USD 8,000,000 of milestone fees).

During the year ended December 31, 2018, the Company paid milestone fees amounting to USD 3,000,000 to Genexine, Inc. according to the agreement, as approved for the first and second IND of clinical trials. Also, the Company is agreed to pay milestone fees at the completion of the future clinical trials as follows:

- At the completion of the first clinical trials: USD 2,000,000
- At the completion of the second clinical trials: USD 3,000,000

The Company has the right of distribution in America and Europe regions, and pays 35% of the considerations if the license will be transferred to other parties, and pays 35% of net income arising from sales of products related to license of NT-I7 as royalty to Genexine, Inc.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

b) License for Degraducer

In March 2020, the Company entered into an agreement with Ubix Therapeutics, Inc. to acquire a right-to-use of intellectual property (license) related to Degraducer platform technology of Ubix Therapeutics, Inc. which is the target protein degradation technology. In accordance with the agreement, Ubix Therapeutics, Inc. granted the Company the exclusive right-to-use of intellectual property that enables for the Company to develop three candidate materials for new drugs by using technology owned by Ubix Therapeutics, Inc. In April 2020, the Company paid in advance amounting to USD 1,200,000 to Ubix Therapeutics, Inc. for acquiring license, and the entire amount was recognized as research and development expenses in the separate statements of comprehensive loss for the year ended December 31, 2021. At December 31, 2021, the Company is in discussion to decide three candidate materials for new drugs to be developed by the Company and Ubix Therapeutics, Inc.

(b) Supply agreement

In December 2016, the Company entered into a supply agreement with Genexine, Inc. in which Genexine, Inc shall provide the Company with products related to NT-I7 which are produced by a third-party contract manufacturer.

(c) Joint clinical research

In April 2018, the Company entered into a joint clinical research agreement with Genexine and F.Hoffmann-La Roche Ltd (hereinafter referred to as "Roche") for three types of skin cancer (melanoma, Merkel Cell Carcinoma and cutaneous Squamous Cell Carcinoma) and committed to receive Roche's product of TECENTRIQ free of charge, which is required for clinical trials. Clinical trials are in progress as Investigational New Drug ("IND") for the joint clinical research was approved by the U.S. Food and Drug Administration (USFDA) in January 2019.

In December 2019, the Company entered into a joint clinical research agreement with MSD International GmbH (hereinafter referred to as "Merck") for five types of solid cancer (non-small cell lung cancer, small cell lung cancer, microsatellite stable colorectal cancer, triple negative breast cancer and pancreatic cancer) and committed to receive Merck's product of KEYTRUDA free of charge, which is required for clinical trials. Clinical trials are in progress as the IND for the joint clinical research was approved by the USFDA in January 2020.

In April 2020, the Company entered into a joint clinical research agreement with Bristol-Myers Squibb Company (hereinafter referred to as "BMS") for three types of gastric cancer (metastatic gastric cancer, gastro-esophageal junction cancer and esophageal adenocarcinoma) and committed to receive BMS's product of OPDIVO free of charge, which is required for clinical trials. Clinical trials are in progress as the IND for the joint clinical research was approved by the USFDA in July 2020.

In October 2020, the Company entered into a joint clinical research agreement with Roche on non-small cell lung cancer and committed to receive Roche's product of TECENTRIQ free of charge, which is required for clinical trials. Clinical trials are in progress as the IND for the joint clinical research was approved by the USFDA in October 2020.

NeolImmuneTech, Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(d) Contract with Subsidiary

On September 1, 2019, the Company has entered into a contract related to services from NeolImmuneTech Co., Ltd., a subsidiary of the Company. Under the agreement, NeolImmuneTech Co., Ltd. provides services to support the Company's research and development activities, including clinical trials and commercialization, and charges to the Company with a 10% profit added to the costs incurred. During 2021, the total amount charged to the Company for the services provided by NeolImmuneTech Co., Ltd. was USD 5,410,614 (2020: USD 2,349,191).

**Report on Independent Auditor's
Review of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Chief Executive Officer of
NeolmmuneTech, Inc.

We have reviewed the accompanying management's report on the effectiveness of the Internal Control over Financial Reporting ("ICFR") of NeolmmuneTech, Inc. (the "Company") as of December 31, 2021. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of the ICFR and issue a report based on our review. The management's report on the effectiveness of the ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as at December 31, 2021, is designed and operating effectively, in all material respects, in conformity with the Best Practice Guideline"

Our review was conducted in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the effectiveness of the ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's ICFR is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. Because of its inherent limitations, ICFR may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that

management's report on the effectiveness of the ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the Best Practice Guideline.

Our review is based on the Company's ICFR as of December 31, 2021, and we did not review management's assessment of its ICFR subsequent to December 31, 2021. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 18, 2022

**Report on the Effectiveness of
the Internal Control over Financial Reporting**

To Board of Directors and Auditor of
NeoImmuneTech, Inc.

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting (“ICFR”) Officer of NeoImmuneTech, Inc. (“the Company”), assessed the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting for the year ended December 31, 2021.

The Company’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We followed the ‘Best Practice Guideline’ which is established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2021, is designed and operating effectively, in all material respects, in conformity with the Best Practice Guideline.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

Date: Feb 11, 2022

Name: Se Hwan Yang
Chief Executive Officer



Name: Tae Woo Kim
Internal Control over Financial Reporting Officer

