Annual Report 2023

Delivering Transformative Medicines

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Exopharm Limited
ABN 78 163 765 991

Contents

Corporate Directory

Directors	Mr Mark Davies Dr Ian E Dixon Mr Clarke Barlow
Company Secretary	Mr David Franks
Registered office	C/o Bio101 Financial Advisory Pty Ltd Suite 201 697 Burke Road Camberwell VIC 3124
Principal place of business	C/o Bio101 Financial Advisory Pty Ltd Suite 201 697 Burke Road Camberwell VIC 3124
Share register	Automic Registry Services Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000 Telephone: 1300 288 664 Email: hello@automic.com.au
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Solicitors	QR Lawyers Pty Ltd Level 6, 400 Collins Street Melbourne VIC 3000
Stock exchange listing	Exopharm Limited shares are listed on the Australian Securities Exchange (ASX code: EX1)

Letter from the Board Chair and CEO

30 June 2023

Dear Shareholders,

We thank our past employees, stakeholders and shareholders for their support over the past year.

Exopharm is now recapitalised with a much-reduced spend rate and few liabilities – giving a more positive outlook.

We continue to seek financial value for shareholders from our investment into exosome technologies. Whilst the costs of research and development have been reduced significantly, the Company has a portfolio of patents, patent applications and knowhow that solve many of the challenges of exosome medicines.

The pharmaceutical industry sees opportunity in additive gene therapies, and exosomes are a potential drug-delivery chassis without some of the limitations of viral vectors and conventional lipid nanoparticles.

Despite the investment and hard work, bringing in revenue from our pioneering exosome platform has been thwarted by the failure of some key overseas exosome companies and technological challenges.

In this setting, and seeking to maximise shareholder-value, the Board is also actively evaluating other programs and acquisition opportunities including, but not limited to, those that may complement its intellectual property.

During the past year there have been some changes worth highlighting here.

Three Directors left the Board, Elizabeth McGregor in December '22, Jennifer King in February '23 and then Jason Watson in June '23. We thank Elizabeth, Jennifer and Jason for their contributions.

Two Directors have joined the Board in the past year, Clarke Barlow in February '23 and Mark Davies in June '23 as Chairman. With these changes the Board has added equity capital markets experience, continues to comprise three members and costs are contained.

The Company has moved towards a virtual company model and is looking to outsource some activities – as is common in our industry. The high monthly costs of R&D staff and research laboratory have been brought to an end.

Dr Ian Dixon
Managing Director & CEO

Mr Mark Davies
Chairman

Directors' Report

30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Exopharm Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

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

Director	Position
Mr Jason Watson	Non-Executive Chairman (Resigned 22 June 2023)
Dr Ian Dixon	Managing Director & CEO
Ms Elizabeth McGregor	Non-Executive Director (Resigned on 20 December 2022)
Dr Jennifer King	Non-Executive Director (Resigned on 22 February 2023)
Mr Clarke Barlow	Non-Executive Director (Appointed on 22 February 2023)
Mr Mark Davies	Non-Executive Chairman (Appointed 22 June 2023)

Names, qualifications, experience and special responsibilities of Directors in office during the year.

Mr Jason Watson - Non-Executive Chairman

(Resigned 22 June 2023)

LLB, B. Comm

Mr Watson has board and advisory experience acting with small and medium-sized enterprises, research institutes and listed companies in the life sciences and other sectors. In particular, Mr Watson has assisted companies in developing, commercialising and transacting technologies through significant biotechnology licensing deals. Mr Watson is principal of Elementary Law, a legal practice based in Melbourne, Australia. His practice focuses on assisting clients achieve the best outcomes for their patents and innovations, including through corporate fund raising, protection strategies, licensing and commercialisation. In this capacity, Mr Watson has been recognised in the Intellectual Asset Magazine Patent 1000 independent list of The World's 1000 Leading Patent Professionals. Mr Watson has expertise in relation to complex transactions, including establishing multi-party engagements, research and consultancy contracts and negotiating and implementing clinical trial, licensing, assignment, manufacturing, shareholding and other commercial arrangements. Mr Watson has a Bachelor of Laws with Honours and a Bachelor of Commerce. No directorship in other listed companies in the last 3 years.

Dr Ian Dixon - Founder and Managing Director

phD, MBA, MAICD

Dr Dixon has a PhD in biomedical engineering from Monash University, an MBA from Swinburne University and professional engineering qualifications. Dr Dixon is a co-inventor of the patented LEAP Technology owned by Exopharm and is also a co-inventor of other Exopharm technologies. Dr Dixon brings to the Board an extensive technical and entrepreneurial background in founding, building and running technology-based companies, in recognising the potential commercial value of early-stage drug development, and in understanding the challenges involved in drug development. He is also a Non-Executive Director of Nyrada Inc. (ASX-NYR) and a co-inventor of Nyrada's patented drug NYX-330 to treat hypercholesterolemia and atherosclerosis. In 2011, Dr Dixon co-founded Cynata Inc, now a subsidiary of ASX-listed Cynata Therapeutics Ltd (ASX-CYP), a company progressing the commercialisation what has become the Cymerus stem cell therapy to treat various medical conditions including osteoarthritis, ARDS and critical limb ischemia. Ian was a founding director of anticancer company Noxopharm Ltd (ASX-NOX) in 2016 and during the last three years Dr Dixon has served as a director of the following listed companies: Medigard Ltd (ASX-MGZ); Noxopharm Ltd: ASX-NOX).

Mr Clarke Barlow - Non-Executive Director

(Appointed 22 February 2023)

Mr Barlow is a Financial Adviser with 22 years' experience in the Financial Services Industry in Australia and the United Kingdom (UK).

Mr Barlow has experience in structuring, operations and risk management of institutional exotic derivatives in the UK and has been responsible for establishing and managing derivatives trading desks for Australian based investment banks. Since 2007 Mr Barlow has serviced retail and institutional clients advising on share portfolios, derivatives, and identification of early-stage opportunities across a variety of industries and sectors. He also provides corporate advisory services for ASX listed companies across a variety of industries, with a focus on growth opportunities, providing them with advice on business models & strategy, structuring of pre-IPO and IPO fund raisings, reverse takeovers, capital raisings, M&A, investor relations and capital markets advice. Mr Barlow is a Founder and Director of AMG Acquisition Corp, a publicly listed company on the Toronto Venture Exchange (TSXV). He holds a Bachelor of Commerce degree from the University of Western Australia, has level 2 ASX derivatives accreditation, and is a Member of the Australian Institute of Company Directors (AICD).

Mr Mark Davies - Non-Executive Director

(Appointed 22 June 2023)

Mark Davies graduated from the University of Western Australia with a Bachelor of Commerce. He has over 25 years' experience in trading, investment banking and providing corporate advice. He worked at Montagu Stockbrokers before co-founding investment banking firm Cygnet Capital and more recently 1861 Capital. Mark specialises in providing corporate advice and capital raising services to emerging companies seeking business development opportunities and funding from the Australian market.

Ms Elizabeth M McGregor - Non-Executive Director and Company Secretary

(Resigned on 20 December 2022)

BA (Hons), MBA, FGIA, GAICD

Elizabeth McGregor is a corporate governance professional and has worked as Company Secretary for a number of ASX listed entities. She has experience in various industries including financial services, investment management and biotechnology.

Elizabeth was educated at the University of London (BA) and Macquarie Graduate School of Management (MBA). She is a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors. No directorship in other listed companies in the last 3 years.

Dr Jennifer King - Non-Executive Director

(Resigned on 22 February 2023)

Dr Jennifer King, a Principal at King BioConsulting, has over 20 years of operating experience in the biopharmaceutical industry. King BioConsulting provides business development and strategic support for biotechnology companies and other key stakeholders, with a focus on cutting edge technologies and orphan indications. From 2015 to 2019 Jenn served at Intellia Therapeutics, a CRISPR Cas9 genome editing start-up, completing her tenure as Senior Vice President for Business Development. Jenn founded and grew the Business Development and New Product Commercialization groups at Intellia. She was responsible for accessing external sources of innovation, establishing the company's key industry and academic partnerships, overseeing the alliance management activities for these partnerships and developing commercial strategies and frameworks for Intellia's genome editing platform.

Prior to her joining Intellia in 2015, Jenn held the position of Senior Director of Business Development at Shire Plc, (now Takeda) where she was responsible for the sourcing, initial evaluation and negotiation of licensing and acquisition opportunities within the company's corporate development group. She previously worked in Shire's rare disease commercial organization as a Global Brand Director for two clinical stage programs and served as its Director of New Products, where she was responsible for providing commercial guidance to development and research stage projects, as well as evaluating the commercial attractiveness of business development opportunities. Before joining Shire in 2006, Jennifer held a variety of commercial roles in at Millennium Pharmaceuticals; most notably as the Product Manager for the US launch of VELCADE®.

Jennifer received her B.S. in Biology from the Massachusetts Institute of Technology, earned a Ph.D. in Developmental Biology at the Stanford University School of Medicine, and was awarded her MBA by Northeastern University. No directorship in other listed companies in the last 3 years.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Jason Watson[1]	7	8
Dr Ian Dixon	8	8
Mr Clarke Barlow[2]	3	3
Ms Elizabeth McGregor[3]	3	4
Dr Jennifer King[4]	5	5
Mr Mark Davies[5]	-	-

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

[1] Mr Jason Watson resigned on 22 June 2023.
[2] Mr Clarke Barlow appointed on 22 February 2023
[3] Ms Elizabeth McGregor resigned on 20 December 2022.
[4] Dr Jennifer King resigned on 22 February 2023.
[5] Mr Mark Davies appointed on 22 June 2023.

Directors' Report

30 June 2023

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number	Performance rights Number
Mr Jason Watson	760,000	-	-
Dr Ian Dixon	28,258,627	-	-
Ms Elizabeth McGregor	30,000	-	-
Dr Jennifer King	-	-	-
Mr Clarke Barlow	-	-	-
Mr Mark Davies	-	-	-

As at the date of this report, the Company had 439,423,066 fully paid ordinary shares and 7,500,000 share options

Review of Operations

Principal Activities

The principal activities of Exopharm during the reporting period are:

- ongoing technology assessment by potential licensees
- further intellectual property protection of key technologies
- cost-reduction initiatives whilst evaluating opportunities

Financial constraints have required ongoing cost-reduction initiatives and further research and development activities are planned to be outsourced as operations move towards a more virtual company model.

The Board is also actively evaluating other programs and acquisition opportunities including, but not limited to, those that may complement its intellectual property.

Key Highlights

1. Focus on building value whilst reducing costs
2. Successful completion of conversion of debt to equity and placement
3. Technology assessment by potential partners continues
4. Promising initial data from elastin additive gene therapy exosome experiments
5. Further granted US patents for the LEAP technology

Directors' Report

30 June 2023

1. Focus on building value whilst reducing costs

During the past 12 months there have been changes at both the Board and Operations levels of the Company.

In Q2 FY23 (announced on 20th December 2022), further cost reductions had been made, reducing the size of Exopharm's R&D and corporate team and focusing on the core activities of the Company. These changes included, downsizing the board from four to three; reducing staff numbers while retaining a core team to deliver on ongoing activities and outcomes; non-executive directors voluntarily cutting their Director's fees and Managing Director/CEO voluntarily cutting his remuneration in the interim. These changes further focus the Company on core activities aimed at delivering increased future value and improving the cashflow runway into FY24.

The Company has moved towards a virtual company model and is looking to outsource some activities – as is common in our industry. The high monthly costs of R&D staff and research laboratory have been brought to an end.

We continue to seek financial value for shareholders from our investment into exosome technologies. Whilst the costs of research and development have been reduced significantly, the Company has a portfolio of patents, patent applications and knowhow that solve many of the challenges of exosome medicines.

The Board is also actively evaluating other programs and acquisition opportunities including, but not limited to, those that may complement its intellectual property.

Board changes

Board renewal is an important feature of public companies.

Three Directors left the Board, Elizabeth McGregor in December 2022, Jennifer King in February 2023 and then Jason Watson in June 2023.

Two Directors have joined the Board in the past year, Clarke Barlow in February 2023 and Mark Davies in June 2023 as Chairman. With these changes the Board has added equity capital markets experience, continues to comprise three members and costs are contained.

With these changes the Board continues to comprise three members - Mark Davies, Clarke Barlow and Ian Dixon.

Operational changes

The Company has a portfolio of patents, patent applications and knowhow that solve many of the challenges of exosome medicines. We continue to seek financial value from our investment into exosome technologies through potential partnering and/or licensing transactions.

The pharmaceutical industry sees opportunity in additive gene therapies to treat a wide range of medical problems, and exosomes are a potential drug-delivery chassis without some of the limitations of viral vectors and conventional lipid nanoparticles.

But deriving revenue from our pioneering exosome platform has been challenging, and further hindered by the failure of some key overseas exosome companies and technological challenges.

To reduce costs, the Company has moved towards a virtual company model and is looking to outsource some activities – as is common in our industry. The high monthly costs of R&D staff and research laboratory have been brought to an end by the redundancy of many employees and vacating the laboratory at the Baker Institute.

Intellectual Property changes

To reduce ongoing costs, the present strategy with patents is to seek coverage in 4 jurisdictions – USA, Europe, Japan and China. This approach will reduce costs but maintain coverage in the main potential markets.

2. Successful completion of conversion of debt to equity and placement

In the second half of the 2023 Financial Year, the Company successfully issued 125 million shares to convert all issued Convertible Note under a Mandate announced on 13 February 2023 that raised $1.0m. The Company also issued on 26 April 2023 and 12 May 2023 a further 157 million shares under a Rights Issue and Shortfall Placement which raised approximately $1.57m before costs. The proceeds have been used for working capital purposes.

Exopharm is now recapitalised with a much-reduced spend rate and few liabilities – giving a more positive outlook.

At present the Company has 439,423,066 shares on issue.

3. Technology assessment by potential partners continues

Partnering/licensing activities are ongoing with a small number of prospects.

During the reporting period Exopharm had entered Phase 2 of its ongoing collaboration services agreement with the Astellas Institute for Regenerative Medicine (AIRM), a subsidiary of Astellas Pharma Inc. During the first Phase, conducted at its research facilities in Melbourne, Australia, Exopharm demonstrated its LEAP technology to purify exosomes derived from two proprietary AIRM cell lines.

The second Phase of work encompassed LEAP technology transfer to AIRM’s in-house researchers, enabling AIRM to further evaluate Exopharm’s LEAP technology for the isolation of exosomes. In addition, AIRM was able to use two other Exopharm technologies, EVPS and LOAD. EVPS technology from Exopharm could potentially enable AIRM to develop and evaluate surface-engineered exosomes. Exopharm’s LOAD technology could potentially enable AIRM to load functional RNA into exosomes derived from AIRM cells.

Upon the conclusion of this collaboration Astellas is now considering its future development plans.

As announced on 17 November 2022, Sartorius BIA is evaluating the synergy of Exopharm’s patented LEAP technology together with BIA’s unique Convective Interaction Media (CIM) for potentially improved large-scale exosome production. This program continues and at this stage further data is expected to support evaluation later in FY24.

The LEAP technology is presently under evaluation by another company.

Exopharm’s portfolio of technologies contains the key components that are necessary for the development and manufacture of commercial-scale, exosome-based medicines:

- **LEAP** to isolate and purify exosomes at a commercial scale;
- **ENGINEERED MASTER CELL BANKs** to enable scalable, clinical grade cGMP-compliant manufacture of engineered exosomes;
- **EVPS** to target exosomes to specific cells and tissues within the body;
- **LOAD to add APIs**, including DNA and RNA, into exosomes;
- **EXORIA** dye to track exosomes through the manufacturing process and within the body; and
- **FORMULATION H** to enable the stable storage and transport of exosome medicines.

Exopharm's portfolio of technologies

LEAP: Exopharm's exosomes are produced from human cells cultured in a bioreactor and purified using Exopharm's patented LEAP technology. The LEAP technology solves the critical bottleneck of exosome isolation and purification. Exopharm is using a chromatography based (but not immunoaffinity chromatography or IAC) purification method, called LEAP (Ligand-based Exosome Affinity Purification).

MASTER CELL BANK: The manufacture of clinical-grade engineered exosomes at scale requires a Master Cell Bank (MCB) of engineered cells that is compliant with strict quality requirements and stored securely. In FY22, Exopharm completed its manufacturing quality framework and established a Good Laboratory Practice (GLP)-compliant Master Cell Bank for engineered exosome production, in preparation for a future cGMP MCB.

EVPS: The EVPS technology platform allows specific molecules to be attached to the surface of exosomes to target them to selected tissues, organs or cell types. Targeted delivery can improve a product's efficacy and reduce adverse off-target effects of the drug cargo. Over the past year, Exopharm advanced its tissue-specific delivery EVPS technology by demonstrating the engineering of two different proteins into exosomes and demonstrated tissue tropism.

LOAD: The LOAD technology platform enables loading of active pharmaceutical ingredient (API) into exosomes. APIs can include DNA and RNA. Over the past year Exopharm has successfully demonstrated improved loading of DNA, mRNA, and siRNA into exosomes.

EXORIA: Exopharm's Exoria technology is a novel and proprietary dye that tags otherwise 'invisible' exosomes to improve tracking in experimental studies and laboratory analysis. Until now, there has been no reliable way to solve this critical issue, which has held back the development of exosome medicines and exosome research.
In June 2022, the first article on the benefits of Exopharm's proprietary Exoria technology for exosome analysis was published in a peer-reviewed journal.[1] This report positions Exopharm's Exoria as the industry standard for correctly identifying and labelling exosomes.

A PCT patent application has been lodged to seek rights over EXORIA in key markets – USA, EU, Japan and China.

FORMULATION H: If exosomes are to become part of off-the-shelf mainstream medicine, they must fit within the established medical product logistics for transport and storage. Formulation H is being developed to enable transport and storage of exosome medicines whilst avoiding damage and limiting degradation.

A PCT patent application has been lodged to seek rights over Formulation H in key markets – USA, EU, Japan and China.

Exopharm's tool chest of exosome-related technologies supports the strategy of generating revenue from companies seeking to develop or manufacture exosome medicines.

[1] **https://doi.org/10.1016/j.jcyt.2022.02.003 Tertel et. al., Cytotherapy, 24(6) pp619-628, June 2022** - Imaging flow cytometry challenges the usefulness of classically used extracellular vesicle labeling dyes and qualifies the novel dye Exoria for the labeling of mesenchymal stromal cell–extracellular vesicle preparations

4. Promising initial data from elastin additive gene therapy exosome experiments

Summary

In 2022 and 2023 Exopharm has produced prototype exosome (extracellular vesicle [EV]) products containing Elastin Messenger Ribonucleic Acid (ELN-mRNA-EV) using a number of its proprietary manufacturing technologies.

in vitro exosome-mediated delivery of functional elastin mRNA was demonstrated with the prototype – with elevated gene expression translated to more than two-fold increase in ELN protein content compared to controls as determined by FASTIN assay.

Further future testing could be conducted in ex vivo skin models and in vivo as steps towards potential clinical trials of ELN-mRNA-EV

Background

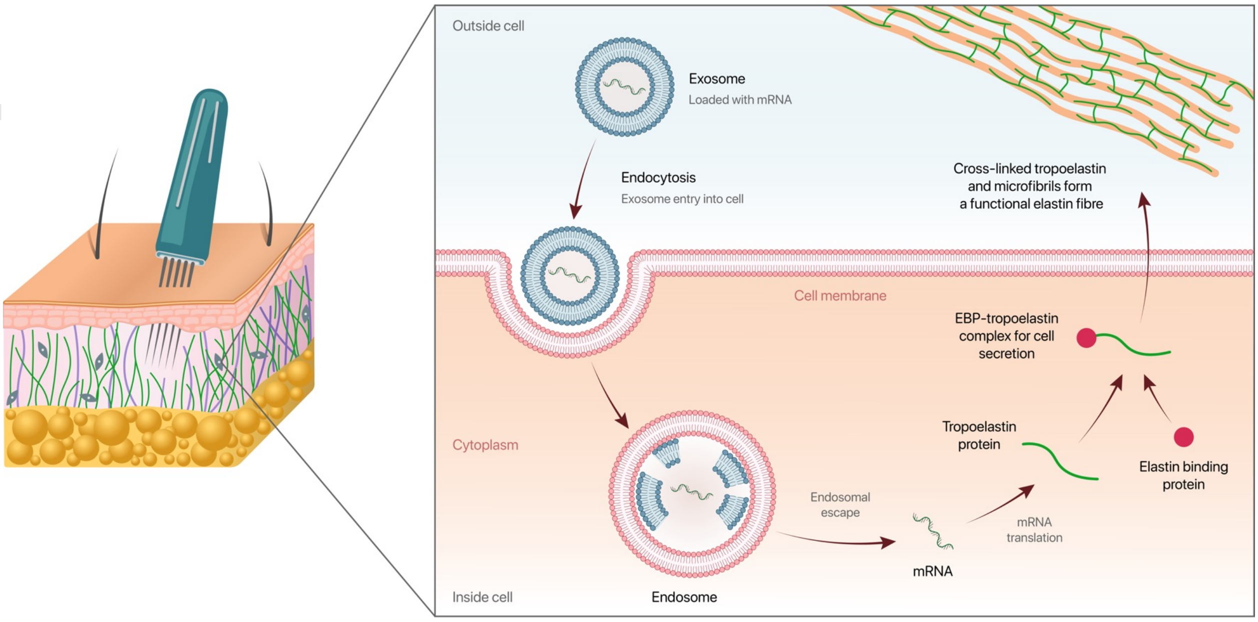
As announced on 12 October 2022, Exopharm has been working on an in-house exosome prototype product to increase elastin - as a potential additive gene-therapy product to treat elastin deficiency in skin, arteries, lungs and other tissue.

Elastin (ELN) is a large natural molecule found in the extracellular matrix surrounding cells – elastin imparts elasticity to the tissue. ELN normally has a long half-life of approximately 70 years and its natural replacement is limited in adults. Elastin constitutes about 28%–32% of major blood vessels, 30%–57% of the aorta, 50% of elastic ligaments, 3%–7% of lung, and 2%–3% of the dry weight of skin [2].

With aging, injuries, exposure to UV light (from sun exposure) and many other environmental factors, such as smoke, the normal levels of elastin decrease and medical and aesthetic issues arise from that elastic deficiency.

Exopharm selected an additive gene-therapy for elastin deficiency as a development target as elastin deficiency is not readily treated by dietary or other means and Exopharm's exosomes could be a useful drug-delivery chassis for ELN mRNA.

Medical problems that could potentially be treated with an additive gene-therapy for elastin include photoaging, striae distensae alba (stretch marks), aging skin, photoaged skin, arterial stiffness, chronic obstructive pulmonary disease (COPD) and Williams-Beuren syndrome amongst others.



[2] **De Novo Synthesis of Elastin by Exogenous Delivery of Synthetic Modified mRNA into Skin and Elastin-Deficient Cells by Lescan et al 2018** - https://doi.org/10.1016/j.omtn.2018.03.013

Market metrics by potential application field			
Chronic Obstructive Pulmonary Disease (COPD)	Cardiovascular (CV) incl. arterial stiffness	Scar prevention & treatment	Aging / photoaging / stretch marks
COPD market to reach US$19.3B in 2028 in top 7 world markets	CV market to reach US$231.7B by 2030; Hypertension market to reach US$31.5B by 2028	Scar treatment market to reach US$16.7B by 2031	Anti-aging market worth US$88B by 2028; Stretch marks treatment to reach US$4.17B by 2028

Experimental details and results

The work was designed to compare 'naked' (i.e. no drug-delivery technology used) ELN mRNA with exosome-delivered ELN mRNA as a way of increasing human cell production of elastin.

Making the prototype ELN-mRNA-EV product involved a number of steps:

1. Culture human HEK293 cells in Exopharm's proprietary collection media Hexocollect
2. Purify exosomes from cells using Exopharm's patented LEAP technology
3. Use Exopharm's LOAD technology to add mRNA into exosomes
4. Conduct analytics to determine copy-number of mRNA LOADing

Exopharm's suite of proprietary manufacturing technologies has enabled this work.

ELN-mRNA-EVs and other test materials were delivered to human fibroblasts in vitro to form 4 test materials.

Two days following treatment with various test materials, cells were collected and assessed for ELN content.

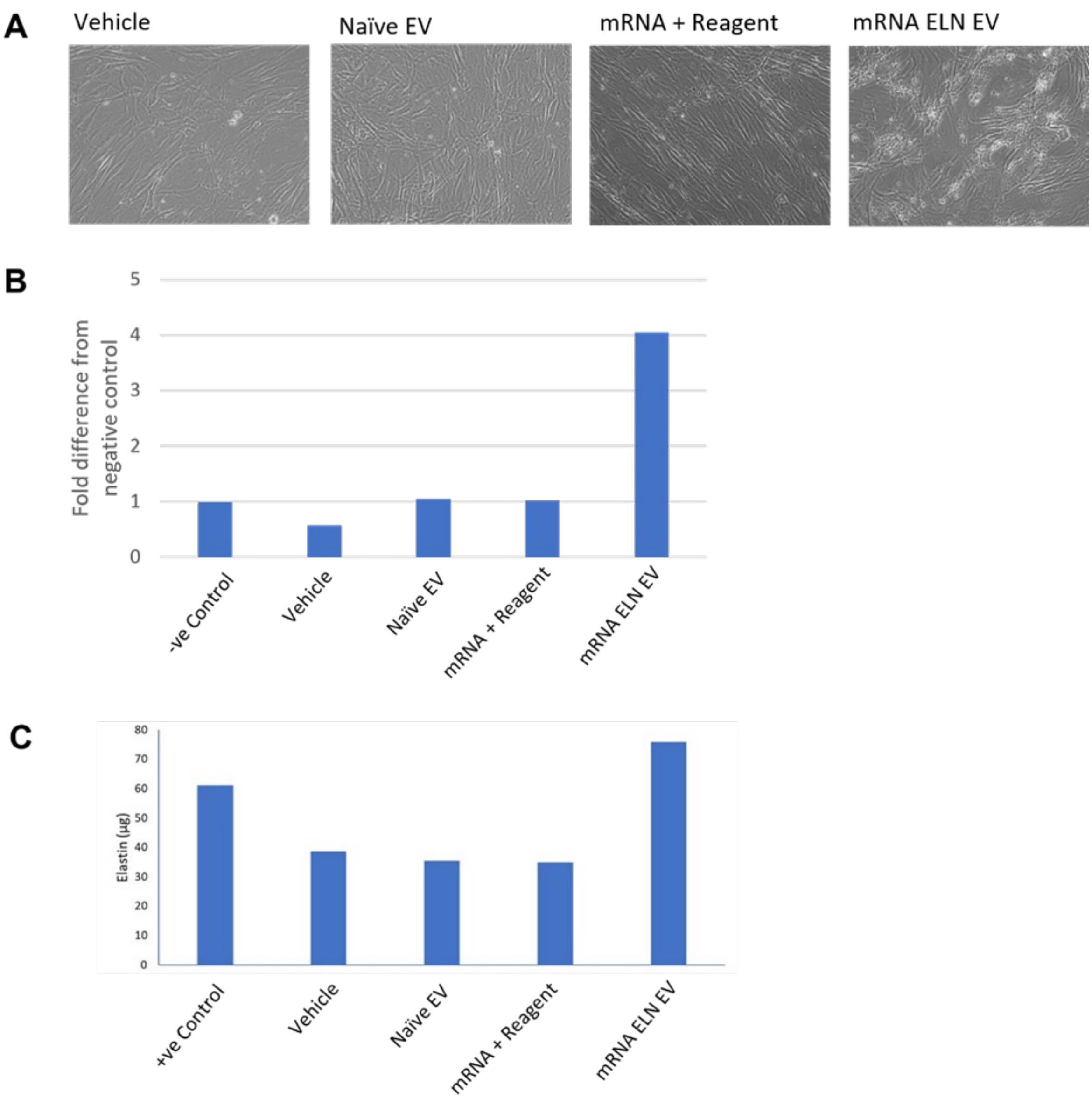
ELN-mRNA-EVs were compared to a PBS (Phosphate Buffered Saline) vehicle control, an unloaded HEK293 (naïve) EV control and an equivalent amount of loading reagent and ELN mRNA (equivalent to LOADed test material) control.

Findings and results

Figure 1A. At the end of treatment, cells administered ELN-mRNA-EVs showed a clear difference in cell morphology (i.e. how the cells appear) compared to control and other test panels.

Figure 1B. Following cell harvest, analysis showed ELN gene expression was elevated 4-fold in ELN-mRNA-EVs treated cells compared to controls (normalised to native ELN), and around 4-fold increase over 'naked' ELN mRNA materials.

Figure 1C. Elevated gene expression translated to more than two-fold increase in ELN protein content compared to controls as determined by FASTIN assay.



This data shows ability to load mRNA into EVs and that the ELN mRNA is subsequently processed within the cells into ELN protein.

ELN is not typically produced by mature cells, so using ELN-mRNA-EVs to induce ELN protein expression is a step towards potential clinical utility of exosomes as a drug-delivery chassis for additive gene therapy for elastin-deficiency.

The present plan is to outsource the manufacture of prototype product and potentially test in an ex vivo human skin experiment.

5. Further granted US patents for the LEAP technology

LEAP patents granted in USA

Exopharm continues to invest in developing and protecting its Intellectual Property (IP) across its portfolio of exosome technologies.

Patents in key markets support potential partnership/licensing transactions.

Exopharm's key technology is being patented under the title of "Methods And Compositions For Purification Or Isolation Of Microvesicles And Exosomes".

There are now three granted US patents for the LEAP technology and a further LEAP patent has already been granted in Russia. United States patents are 11,666,603 granted 6th July 2023, US 11,559,552 granted on 24th January 2023 and US11,202,805B2 granted in December 2021.

Exopharm continues to pursue this patent family in 4 key global jurisdictions – USA, Europe, Japan and China.

Key Risks and Uncertainties

The current and future performance of the Company may be affected by changing circumstances, uncertainties, and risks specific to the Company and the Company's business activities, as well as general risks.

Industry trends

The Company is subject to changes within the pharmaceutical industry. In seeking to derive revenue from its exosome technology platform, there are uncertainties and risks when interest in a particular technology – such as exosomes – declines due to reasons outside of the control of the Company.

Limited access to capital markets at times

As a company with limited revenue, the Company has relied upon access to the equity capital markets for funding to support its operations. At times the risks and uncertainties affecting the capital markets shift, potentially limiting capital raising by the Company.

Key person risks

The Company's success depends to a significant extent upon its existing key management personnel to develop technology and products and to engage with potential partners/licensees. There are risks and uncertainties associated with key employees and their tenure.

Commercialisation success

The Company has been a pioneer in the exosome medicine field, but the adoption of exosomes in medicines is in its infancy. There is no guarantee that the Company will be able to negotiate attractive commercial terms for future licence agreements.

Future funding

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure additional working capital. These funds can be made up of loans, revenue and by raising capital from equity markets. The Company can also manage cash flow in line with the available funds. There is a risk that the Company may be unable to secure adequate funding to sufficiently fund its core operations.

GLOSSARY

CV	Cardiovascular
extracellular matrix	A large network of proteins and other molecules that surround, support, and give structure to cells and tissues in the body
FASTIN™ assay	The Fastin™ Elastin kit is a quantitative, colorimetric assay for measurement of elastin extracted from in-vivo and in-vitro sources
mRNA	Messenger RNA
PBS	Phosphate Buffered Saline, a research solution
RNA	Ribonucleic acid
UV	Ultraviolet (radiation)

Finance and Accounting

Principal Activities

The principal activity of the Group during the year continued to be investment in biopharmaceutical drug development.

The loss for the Group after providing for income tax amounted to $7,130,264 (30 June 2022: $10,084,011).

Dividends

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

Unissued shares under option/performance rights

Details of unissued shares, interests under option and performance rights as at the reporting date of this report are:

Issuing Entity	Number of shares under option	Performance rights	Class of shares	Exercise price of option	Expiry date of options
Exopharm Limited	1,500,000	-	Ordinary	$0.40	09 November 2025
Exopharm Limited	1,500,000	-	Ordinary	$0.60	09 November 2025
Exopharm Limited	1,500,000	-	Ordinary	$0.90	09 November 2025
Exopharm Limited	3,000,000	-	Ordinary	$0.01	12 May 2026

The holders of these options and performance rights do not have the right to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

2,650,000 performance rights lapsed on 20 December 2022 because the vesting conditions were not met.

No options were cancelled during or since the end of the financial year.

Financial update

The Group has cash in bank of $1,642,719 as at 30 June 2023 (2022: $4,846,540). The Directors are of the opinion that the Group is a going concern.

Significant events during the year

On 27 October 2022, the Company received an R&D Tax Incentive refund of $4,063,408 which was partially allocated to repay the outstanding loan of $3,382,408 payable to Radium Capital with the net remaining amount of $681,000 received as cash by the Company.

On 20 December 2022, the Company announced an implementation of cost-reduction measures through restructuring and reduction in size of the Company to focus on Company's core activities and preserve the potential to harvest financial returns and improve cash runway. The restructuring includes downsizing the board from 4 to 3 and reduction in staff numbers.

On 9 March 2023, the Company raised $1,000,000 through issue of Convertible Note.

On 26 April 2023, the Company announced $802,441 was raised through the issuance of 80,244,048 shares as part of a standard pro-rata rights issue.

On 12 May 2023, the Company raised $769,675 through issuance of 79,967,485 ordinary shares as part of the shortfall placement in relation to the standard pro-rata rights issue.

On 18 May 2023, the Company issued 125,000,000 ordinary shares in relation to the conversion of 1,000,000 Convertible Note at a conversion price of $0.008 per share.

The Company announced a loan facility with Radium Capital providing the Company with immediate access to up to 80% of its estimated accrued RDTI rebate for the period 1 July 2022 – 31 December 2022. The R&D loan facility was drawn in two tranches, with the first Tranche (Tranche 1) of $961,000 received in November 2022 and the second Tranche (Tranche 2) of $430,746 received in March 2023.

As at 30 June 2023 the Company had drawn funds of $1,391,746 under this facility which is secured against the FY2023 Research and Development Tax Incentive (RDTI) refund.

Significant events after balance sheet date

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental legislation

The Group is not subject to any environmental legislation requirements other than statutory legislation.

Indemnification and insurance of Directors and Officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group (as named above), the Group secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report

30 June 2023

Company Secretary

Mr David Franks of the Automic Group is the registered Company Secretary and has been in office since 30 September 2021.

David Franks is a Principal of the Automic Group. He is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 30 years' experience in finance, governance and accounting, Mr Franks has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. Mr Franks is currently the Company Secretary for the following ASX Listed entities: Applyflow Limited, COG Financial Services Limited, Cogstate Limited, IRIS Metals Limited, IXUP Limited, JCurve Solutions Limited, Noxopharm Limited, Nyrada Inc, White Energy Company Limited and ZIP Co Limited. He was also a Non-Executive Director of JCurve Solutions Limited from 2014 to 2021.

Proceedings on behalf of the Group

There are no proceedings on behalf of the Group.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (Vic) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out following the Directors report for the year ended 30 June 2023.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Remuneration report (audited)

Introduction

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Exopharm Limited's key management personnel ('KMP') for the financial year ended 30 June 2023. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act of 2001.

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

Key Management Personnel (KMP)

Exopharm's KMP include all Non-executive Directors as listed below and those executives who are deemed to have authority and responsibility for planning, directing and controlling the major activities of Exopharm.

The table below outlines the KMP of Exopharm and their movements during FY23:

DIRECTORS	POSITION	TERM AS KMP
Dr Ian Dixon	Managing Director & CEO	Full Financial Year
Mr Jason Watson	Non-Executive Chairman	Ceased 22 June 2023
Ms Elizabeth McGregor	Non-Executive Director	Ceased 20 December 2022
Dr Jennifer King	Non-Executive Director	Ceased 22 February 2023
Mr Clarke Barlow	Non-Executive Director	Commenced 22 February 2023
Mr Mark Davies	Non-Executive Chairman	Commenced 22 June 2023

EXECUTIVES	POSITION	TERM AS KMP
Dr Michael West	Chief Technology Officer	Full Financial Year
Mr David Oxley	President - International	Ceased 3 February 2023

Remuneration Policy

The Board of Directors is committed to transparent disclosure of its remuneration strategy and this report details the Group's remuneration objectives, practices and outcomes for KMP, which includes Directors and senior executives, for the year ended 30 June 2023. Any reference to "Executives" in this report refers to KMPs who are not Non-Executive Directors.

Remuneration Policy Framework

The Group's remuneration policy is to assist the Group to attract and retain key people to assist the development of its products and entering into partnership transactions. It has been designed to reward key management and employees fairly and responsibly in accordance with the market in which the Group operates, and to ensure that the Group:

- Provides competitive remuneration that attracts, retains and motivates executives and employees;
- Benchmarks remuneration against appropriate peer groups;
- Provides a level of remuneration structure to reflect each executive's respective duties and responsibilities;
- Aligns executive incentive rewards with the creation of value for shareholders; and
- Complies with legal requirements and appropriate standards of governance.

Remuneration Committee

The Board has not implemented a separate Remuneration Committee during the year. Due to the size of the Group and the fact there are only four directors on the board, this has been the responsibility of the whole Board.

Remuneration Structure

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

Policy for Executive Remuneration

The Group maintains its existing performance management procedures for key management personnel by having each key manager undertake an annual performance appraisal with the Managing Director based on individual and business performance expectations and other circumstances. The Chief Executive Officer's performance is in turn reviewed by the Board of Directors.

The Group's remuneration policy is to provide a fixed remuneration component and a short-term and long-term performance-based component. The Board believes that this remuneration policy is appropriate in aligning executives' objectives with shareholder and business objectives.

Executive Remuneration consisted of only Fixed and Variable Remuneration during the year.

Remuneration Components

Fixed Remuneration

Fixed remuneration consists of based salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Fixed remuneration was reviewed by Board of Directors having regard to remuneration paid to executives of relevant comparable peer group of companies taking into account Group and individual performance. The Group sought to position its fixed remuneration in line with comparably sized ASX listed companies within the same sector. Size is determined by market capitalisation at the time of comparison.

Executives receive an employer superannuation contribution made into a complying superannuation fund at the required Superannuation Guarantee rate of base salary. Executives may receive other benefits including vehicle benefits and provision of a mobile telephone. During the year no vehicle benefits were provided.

Variable Remuneration

There was no variable remuneration for the Executives during the year.

Policy for and Components of Non-Executive Remuneration During the Reporting Period

Remuneration Policy

Non-Executive Director Fees

The overall level of annual Non-Executive Director fees was approved by shareholders in accordance with the requirements of the Group's Constitution and the Corporations Act. The maximum aggregate pool of Directors' fees payable to all of the Group's Non-Executive Directors is $500,000 per annum. This aggregate amount was approved by shareholders at a General Meeting of Shareholders 25 November 2021.

Remuneration Structure

Non-Executive Directors receive a fixed remuneration of base fees plus statutory superannuation. The Chairman receives $60,000 per annum and the non-executive Directors receives $48,000 per annum, which includes statutory superannuation. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Group. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committee or shareholder meetings whilst engaged by Exopharm. Non-Executive Directors do not earn retirement benefits other than superannuation and are not entitled to any compensation on termination of their directorships.

The annual Board and committee fees were reviewed during the reporting period to 30 June 2023 and have resulted in an decrease in the fees as listed in the employment contracts section. A further review will be conducted in the next financial period in accordance with the annual review of salaries performed by the Board of Directors.

The current Board fee structure for Non-Executive Directors is as per the table below (inclusive of superannuation):

Board Fees	1 July 2022 to 31 December 2022	1 January 2023 to 21 June 2023[1]	From 22 June 2023[2]
Chair	$88,400	$55,250	$60,000
Member	$40,182	$25,000	$48,000

Fees for Non-Executive Directors are not linked to the performance of the Group, however, to align directors' interests with shareholder interests, the directors may hold shares in the Group as governed by the Group's Securities Trading Policy.

[1] On 20 December 2022, it was announced all Directors had voluntarily cut their Director fees by 30%.
[2] On 22 June 2023, the Board of Directors agreed to increase Non-Executive Director and Chair fees in line with the appointment of the new Chair.

Remuneration Governance Including Use of Remuneration Consultants

The Board is responsible for ensuring Exopharm's remuneration strategy is aligned with Group's performance and shareholder interests and is equitable for participants. The Board is responsible for reviewing and making decisions on remunerations matters.

Employment Contracts

As of the date of this report, remuneration and other terms of employment of Directors and Other Key Management Personnel are formalised in employment contracts and service agreements. The major provisions of the agreements related to remuneration are set out below (amounts below include statutory superannuation):

Executive Directors	Base Salary/Fee	Terms of Agreement	Notice Period
Dr Ian Dixon	**Base remuneration:** $340,124 (including super)	**Commencement date:** 1 January 2023 **Employment type:** Full Time **Role:** Managing Director and Chief Executive Officer	6 months in writing by either party
	Base remuneration: $359,388 (including super)	**Commencement date:** 1 June 2022 **Employment Type:** Full time **Role:** Managing Director and Chief Executive Officer	6 months in writing by either party
	Prior Agreement **Base remuneration:** $443,343 (including super)	**Commencement Date:** 26 August 2021 **Employment Type:** Full time **Role:** Managing Director and Chief Executive officer	6 months in writing by either party
	Prior Agreement **Base remuneration:** $350,400 per annum (including super) **Bonus:** **1.** At-risk annual cash bonus of $70,000 based on achievement of key performance indicators (KPIs) monitored by the Board; and **2.** Eligibility to participate in the Group's performance rights plan	**Commencement Date:** 3 September 2020 **Employment Type:** Full time **Role:** Managing Director and Chief Executive Officer	6 months in writing by either party

Non-Executive Directors	Base Salary/Fee	Terms of Agreement	Notice Period
Mr Jason Watson	$55,250 per annum (including super) Prior agreement $88,000 per annum (including super) Prior agreement $110,000 per annum (including super) Prior agreement $96,000 per annum (including super)	**Commencement date:** 1 January 2023 **Commencement date:** 1 June 2022 **Commencement date:** 1 September 2021 **Commencement date:** 10 August 2018	**Resigned:** 22 June 2023 Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.

Directors' Report

30 June 2023

Non-Executive Directors	Base Salary/Fee	Terms of Agreement	Notice Period
Ms Elizabeth McGregor	$40,182 per annum (including super) Prior agreement $50,000 per annum (including super) Prior agreement $30,000 per annum (including super)	**Commencement date:** 1 June 2022 **Commencement date:** 1 September 2021 **Commencement date:** 5 January 2021	**Resigned:** 20 December 2022 Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.
Dr Jennifer King	$25,000 per annum Prior agreement $40,000 per annum Prior agreement $50,000 per annum	**Commencement date:** 1 January 2023 **Commencement date:** 1 June 2022 **Commencement date:** 1 September 2021	**Resigned:** 22 February 2023 Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.
Mr Clarke Barlow	$48,000 per annum (including super) Prior agreement $25,000 per annum (including super)	**Commencement date:** 22 June 2023 **Commencement date:** 22 February 2023	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.
Mr Mark Davies	$60,000 per annum	**Commencement date:** 22 June 2023	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.

Other KMP	Base Salary/Fee	Terms of Agreement	Notice Period
Mr David Oxley [1]	**Base Remuneration:** $404,274 per annum (including super)	**Commencement date:** 9 August 2021	**Resigned:** 3 February 2023 1 month in writing by either party
Dr Michael West [2]	**Base Remuneration:** $289,717 per annum (including super)	**Commencement date:** 15 November 2021	1 month in writing by either party

[1] Base remuneration based on full time equivalent. Mr David Oxley worked 80% FTE up until his resignation on 3 February 2023.
[2] Dr Michael West will cease employment on 31 August 2023.

Remuneration of KMP

Details of the nature and amount of each element of the emoluments received by or payable to each of the KMP of Exopharm Limited for the financial years specified are as follows:

	Short-term benefits			Post employment benefits	Long term benefits	Share based payments	
2023	Salary & Fees $	Bonus Payments $	Non-monetary $	Super annuation $	LSL $	Equity-settled options $	Total $
Directors							
Mr Jason Watson [1]	65,000	-	-	6,825	-	-	71,825
Dr Ian Dixon	324,883	-	2,596	25,292	9,023	-	361,794
Ms Elizabeth McGregor [2]	17,080	-	-	1,793	-	-	18,873
Dr Jennifer King [3]	22,470	-	-	-	-	-	22,470
Mr Clarke Barlow [4]	8,562	-	-	900	-	-	9,462
Mr Mark Davies [5]	1,591	-	-	-	-	-	1,591
	439,586	-	2,596	34,810	9,023	-	486,015
Other KMP							
Mr David Oxley [6]	269,479	-	(23,292)	16,477	(1,003)	653	262,314
Dr Michael West [7]	266,149	-	3,630	25,292	2,031	457	297,559
	535,628	-	(19,662)	41,769	1,028	1,110	559,873
	975,214	**-**	**(17,066)**	**76,579**	**10,051**	**1,110**	**1,045,888**

[1] Short-term benefits and post-employment benefit up to date of resignation on 22 June 2023.

[2] Short-term benefits and post-employment benefit up to date of resignation on 20 December 2022.

[3] Short-term benefits up to date of resignation on 22 February 2023.

[4] Appointed on 22 February 2023.

[5] Appointed on 22 June 2023.

[6] Resigned on 3 February 2023. Salary and fees included payment of unused annual leave upon resignation. Non-monetary and long service leave included movement from prior year balance.

[7] Dr Michael West will cease employment on 31 August 2023.

	Short-term benefits			Post employ-ment benefits	Long term benefits	Share based payments	
2022	**Salary & Fees $**	**Bonus Payments $**	**Non-monetary $**	**Super annuation $**	**LSL $**	**Equity-settled options $**	**Total $**
Directors							
Mr Jason Watson [1]	96,278	-	-	9,628	-	5,300	111,206
Dr Ian Dixon [2]	398,356	-	-	23,568	7,233	1,908	431,065
Ms Elizabeth McGregor [1]	43,500	-	-	3,333	-	-	46,833
Dr Jennifer King [1]	40,833	-	-	-	-	-	40,833
	578,967	-	-	36,529	7,233	7,208	629,937
Other KMP							
Mr David Oxley	301,942	-	20,109	22,012	335	11,690	356,088
Dr Christopher Baldwin [3]	211,425	-	409,859	14,867	-	-	636,151
Dr Michael West	175,044	-	5,275	15,981	161	-	196,461
	688,411	-	435,243	52,860	496	11,690	1,188,700
	1,267,378	**-**	**435,243**	**89,389**	**7,729**	**18,898**	**1,818,637**

[1] No Bonus component to remuneration, i.e. Nil Bonus forfeited (0%) and Nil bonus paid (0%).

[2] Terms of employment changed in line with agreement dated 14 September 2021, the new agreement does not have bonus component to remuneration.

[3] Bonus component is part of the remuneration, however nil bonus was paid during the year (0%) and Nil bonus forfeited (0%). Christopher Baldwin's employment with Exopharm ceased on 4 February 2022. Non-monetary includes benefit includes $217,225 tax expense and $192,634 FBT in accordance with the Terms & Conditions to performance rights issued to Chris Baldwin.

Other disclosure:

The Group is a pre-revenue biotechnology Group and expects to generate negative earnings until such time as the Group can either out-license its technologies/products or take the products to registration (either on its own or with a partner) and to the point of sales. Negative earnings for pre-revenue biotechnology companies is common and we don't expect this to affect shareholder wealth.

Directors' Report

30 June 2023

Key Management Personnel Equity Holdings

Fully paid ordinary shares of Exopharm Limited (Number)

30 June 2023	Balance at beginning of year	Granted as compensation	Received on exercise of options	Net change - other	Cessation as Director/ KMP	Balance at end of year	Balance held nominally
Directors							
Dr Ian Dixon	28,258,627	-	-	-	-	28,258,627	28,258,627
Mr Jason Watson [2]	380,000	-	-	380,000	(760,000)	-	-
Ms Elizabeth McGregor [1]	30,000	-	-	-	(30,000)	-	-
Dr Jennifer King [3]	-	-	-		-	-	-
Mr Clarke Barlow [5]	-	-	-	-	-	-	-
Mr Mark Davies [4]	-	-	-	-	-	-	-
	28,668,627	-	-	380,000	(790,000)	28,258,627	28,258,627
Other KMP							
Mr David Oxley [6]	-	-	-	-	-	-	-
Dr Michael West [7]	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	28,668,627	**-**	**-**	**380,000**	**(790,000)**	**28,258,627**	**28,258,627**

[1] Ms Elizabeth McGregor resigned on 20 December 2022.
[2] Mr Jason Watson resigned on 22 June 2023.
[3] Mr Jennifer King resigned on 22 February 2023.
[4] Mr Mark Davies appointed on 22 June 2023.
[5] Mr Clarke Barlow appointed on 22 February 2023.
[6] Mr David Oxley resigned on 3 February 2023.
[7] Dr Michael West will cease employment on 31 August 2023.

Fully paid ordinary shares of Exopharm Limited (Number)

30 June 2022	Balance at beginning of year	Granted as compen-sation	Received on exercise of options	Net change - other	Balance at end of year	Balance held nominally
Directors						
Mr Jason Watson	350,000	30,000	-	-	380,000	380,000
Dr Ian Dixon	28,175,294	83,333	-	-	28,258,627	28,258,627
Ms Elizabeth McGregor	-	-	-	30,000	30,000	30,000
Dr Jennifer King	-	-	-	-	-	-
	28,525,294	113,333	-	30,000	28,668,627	28,668,627
Other KMP						
Mr David Oxley	-	-	-	-	-	-
Dr Christopher Baldwin [1]	914,665	-	-	(914,665)	-	-
Dr Michael West	-	-	-	-	-	-
	914,665	-	-	(914,665)	-	-
	29,439,959	**113,333**	**-**	**(884,665)**	**28,668,627**	**28,668,627**

[1] Christopher Baldwin's employment with Exopharm ceased on 4 February 2022.

Performance Rights of Exopharm Limited

2023	Balance at beginning of year No.	Granted as compensation No.	Exercised / Cancelled No.	Net other change No.	Balance at end of year No.
Directors					
Mr Jason Watson	-	-	-	-	-
Dr Ian Dixon	-	-	-	-	-
Ms Elizabeth McGregor	-	-	-	-	-
Dr Jennifer King	-	-	-	-	-
Mr Clarke Barlow	-	-	-	-	-
Mr Mark Davies	-	-	-	-	-
	-	-	-	-	-
Other KMP					
Mr David Oxley	-	500,000	(500,000)	-	-
Dr Michael West	-	350,000	(350,000)	-	-
	-	850,000	(850,000)	-	-
		850,000	**(850,00)**	**-**	**-**

Performance Rights of Exopharm Limited

2022	Balance at beginning of year No.	Granted as compensation No.	Exercised / Cancelled No.	Net other change No.	Balance at end of year No.
Directors					
Mr Jason Watson	60,000	-	(60,000)	-	-
Dr Ian Dixon	166,667	-	(166,667)	-	-
Ms Elizabeth McGregor	-	-	-	-	-
Dr Jennifer King	-	-	-	-	-
	226,667	-	(226,667)	-	-
Other KMP					
Mr David Oxley	-	350,000	(350,000)	-	-
Dr Christopher Baldwin	-	-	-	-	-
	-	350,000	(350,000)	-	-
	226,667	**350,000**	**(576,667)**	**-**	**-**

Remuneration report (conclusion)

This concludes the remuneration report, which has been audited.

Auditor's independence declaration

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

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

On behalf of the directors

Dr Ian E Dixon
Managing Director & CEO

29 August 2023

Auditor's Independence Declaration

30 June 2023

William Buck
ACCOUNTANTS & ADVISORS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF EXOPHARM LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

R. P. Burt
Director
Melbourne, 29 August 2023

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue			
Revenue from contract with customers	3	618,568	99,730
Government grants and tax incentives	4	2,774,573	4,106,722
Interest income		17,946	3,019
Expenses			
Research and development	5	(3,364,973)	(4,190,820)
Employee costs		(4,772,015)	(7,027,789)
Corporate and administration	6	(2,073,138)	(2,993,648)
Finance costs		(331,225)	(81,225)
Loss before income tax expense		**(7,130,264)**	**(10,084,011)**
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Exopharm Limited		**(7,130,264)**	**(10,084,011)**
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		5,925	6,316
Other Comprehensive income for the year, net of tax		5,925	6,316
Total Loss for the year attributable to the owners of Exopharm Limited		**(7,124,339)**	**(10,077,695)**
		Cents	**Cents**
Basic and Diluted earnings per share	8	(3.62)	(6.42)

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

Consolidated statement of financial position

As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	9	1,642,719	4,846,540
Other current assets	11	2,943,292	4,612,478
Total current assets		**4,586,011**	**9,459,018**
Non-current assets			
Property, plant and equipment	12	1,010,705	2,219,447
Right-of-use assets	13	-	1,034,335
Intangibles	14	284,375	325,000
Security deposit		-	575,909
Total non-current assets		**1,295,080**	**4,154,691**
Total assets		**5,881,091**	**13,613,709**
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	15	107,837	728,308
Borrowings	16	1,533,419	2,745,050
Lease liabilities	17	-	695,920
Employee benefits	18	73,208	292,041
Total current liabilities		**1,714,464**	**4,461,319**
Non-current liabilities			
Lease liabilities	17	-	301,900
Employee benefits	18	39,684	42,732
Total non-current liabilities		**39,684**	**344,632**
Total liabilities		**1,754,148**	**4,805,951**
Net assets		**4,126,943**	**8,807,758**
Equity			
Issued capital	19	36,725,231	34,313,482
Reserves	20	822,334	784,634
Accumulated losses		(33,420,622)	(26,290,358)
Total equity		**4,126,943**	**8,807,758**

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

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Issued capital $	Share based payment Reserve $	Foreign Currency Trans-lation reserve $	Accumu-lated losses $	Total equity $
Balance at 1 July 2021	34,295,791	777,112	-	(16,206,347)	18,866,556
Loss after income tax expense for the year	-	-	-	(10,084,011)	(10,084,011)
Other Comprehensive income for the year, net of tax	-	-	6,316	-	6,316
Total Loss for the year	**-**	**-**	**6,316**	**(10,084,011)**	**(10,077,695)**
Transactions with owners in their capacity as owners:					
Recognition of share-based payments	-	18,897	-	-	18,897
Vesting of options or rights that have been converted to ordinary shares	17,691	(17,691)	-	-	-
Balance at 30 June 2022	**34,313,482**	**778,318**	**6,316**	**(26,290,358)**	**8,807,758**

	Issued capital $	Share based payment Reserve $	Foreign Currency Trans-lation reserve $	Accumu-lated losses $	Total equity $
Balance at 1 July 2022	34,313,482	778,318	6,316	(26,290,358)	8,807,758
Loss after income tax expense for the year	-	-	-	(7,130,264)	(7,130,264)
Other Comprehensive income for the year, net of tax	-	-	5,925	-	5,925
Total Loss for the year	**-**	**-**	**5,925**	**(7,130,264)**	**(7,124,339)**
Transactions with owners in their capacity as owners:					
Shares issued during the period	1,572,115	-	-	-	1,572,115
Shares issued on redemption of Convertible Notes	970,582	-	-	-	970,582
Share issue costs	(130,948)	31,775	-	-	(99,173)
Balance at 30 June 2023	**36,725,231**	**810,093**	**12,241**	**(33,420,622)**	**4,126,943**

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

Consolidated statement of cash flows

For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		618,568	99,130
Payments to suppliers and employees (inclusive of GST)		(8,607,683)	(12,593,469)
Research and development refund received		4,063,409	3,919,550
Interest received		6,990	3,921
Government grants and other income		62,900	43,313
Net cash used in operating activities	**10**	**(3,845,816)**	**(8,527,555)**
Cash flows from investing activities			
Payments for property, plant and equipment	12	(284,804)	(1,125,198)
Payments for security deposits		-	(109,948)
Proceeds from disposal of property, plant and equipment		8,160	-
Net cash used in investing activities		**(276,644)**	**(1,235,146)**
Cash flows from financing activities			
Proceeds from issue of shares	19	1,572,115	-
Proceeds from issuance of convertible notes	19	1,000,000	-
Transaction costs related to issue of equity or convertible debt securities	19	(164,720)	-
Proceeds from drawdown of interest-bearing loans and borrowings	16	1,874,348	2,729,309
Transaction costs related to borrowings		(2,307)	-
Interest and other finance costs paid		(191,648)	(65,480)
Repayment of interest-bearing loans and borrowings		(3,211,911)	-
Repayment of lease liabilities		(532,425)	(779,854)
Return of security deposits		575,109	-
Net cash from financing activities		**918,561**	**1,883,975**
Net decrease in cash and cash equivalent		(3,203,899)	(7,878,726)
Cash and cash equivalents at the beginning of the financial year		4,846,540	12,723,581
Effects of exchange rate changes on cash and cash equivalents		78	1,685
Cash and cash equivalents at the end of the financial year	**9**	**1,642,719**	**4,846,540**

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

Note 1. Significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for Exopharm Limited ('Exopharm' or the 'Company') and its wholly-owned Switzerland-based subsidiary, ExoSuisse GmbH (together referred to as the 'Consolidated Entity' or the 'Group').

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

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in and operating in Australia with a subsidiary in Switzerland. The principal activity of the Group during the year was investment in biopharmaceutical drug development.

Going concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Company incurred losses of $7,130,264 (2022: $10,084,011) and the Company had net cash outflows from operating activities of $3,845,816 (2022 : $8,527,555). As at balance date, the Company had net assets of $4,126,943 (2022: $8,807,758) including cash and cash equivalents of $1,642,719 (2022: $4,846,540).

During the year ended 30 June 2023, the Company raised $1,572,115 via a pro-rata rights issue and $1,000,000 via the issuance of convertible notes excluding capital raising costs. That said the ability of the company to continue as a going concern is principally dependent upon the ability of the company to execute its strategic objectives following a restructuring of the group including its ability to execute new collaboration arrangements, financial transactions and uncertainties in the cash flows required in doing so. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the company to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. Should the company be unable to achieve the matters as described above, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the company be unable to continue as a going concern and meet its debt when they fall due.

Note 1. Significant accounting policies (continued)

(b) Adoption of new and revised standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current and prior reporting periods. New and amended standards that became effective as of 1 July 2022 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's accounting policies.

New or amended Accounting Standards or Interpretations that are material to the Company but not yet mandatory have not been early adopted.

(c) Statement of compliance

The financial report was authorised for issue on 28 August 2023. The financial report complies with Australian Accounting Standards, (AAS). Compliance with AAS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Share based payments

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment of plant and equipment and intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition for R&D income

With the successful track record of the consolidated entity in obtaining the Research and Development rebate from the ATO, an estimated rebate of $2,713,673 has been accrued as income for the year ended 30 June 2023 (30 June 2022: $4,063,409). The company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

Note 1. Significant accounting policies (continued)

(e) Segment reporting

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

(f) Foreign currency translation

Both the functional and presentation currency of Exopharm is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items 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.

(g) Revenue recognition

The Group recognise revenue and other income as follows:

Revenue from contract with customers

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

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest income

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

Research and development tax incentive

Income from a research and development refund as a financial asset is recognised when it is probable that the grant will be received, which is determined in reference to when a refund has been verified by a suitably qualified third party and lodged with the Australian Taxation Office. No estimates of any potential research and development refunds or grants are recognised until such time as they are probable.

Note 1. Significant accounting policies (continued)

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred tax assets and deferred tax liabilities are provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

(i) Other taxes

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

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

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

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

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

(j) Impairment of tangible and intangible assets other than goodwill

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

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

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

(k) Cash and cash equivalents

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

Note 1. Significant accounting policies (continued)

(l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 30 – 90 days.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Company to measure the loss allowance at an amount equal to lifetime expected credit loss ('ECL') if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Company is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses.

When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

(m) Plant and equipment

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

Depreciation

Depreciation is calculated on diminishing value basis using the following useful lives:

Plant equipment	1 to 10 years
Office equipment	3 years
Computer equipment	3 years

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

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Note 1. Significant accounting policies (continued)

(n) Intangible assets

Intangible assets acquired separately are recorded at cost and less accumulated amortisation once the IP asset is ready for use and/or impairment as required. Amortisation is charged on a straight-line basis over their estimated useful lives, amortisation starts following the grant of a patent and assets are held at cost until such time as the patent has been granted or impaired.

The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis. The asset commenced amortising 1 July 2022 and is tested for impairment annually.

The following useful lives are used in the calculation of amortisation:

IP asset	8 years in line with grant of patent

(o) Trade and other payables

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

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some, or all, of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Loss per share

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

Diluted loss per share is calculated as net loss attributable to members of the Group, adjusted for:

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

Note 1. Significant accounting policies (continued)

(s) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the one subsidiary of Exopharm Limited ('Company' or 'Parent Entity') as at 30 June 2023 and the results of the one subsidiary for the year then ended. Exopharm Limited and its subsidiary together are referred to in these financial statements as the 'Group' or the 'Consolidated Entity'.

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

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

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

(t) Interest-bearing loans and borrowings

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

(u) Convertible Notes

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

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

(v) Finance costs

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

(w) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Significant accounting policies (continued)

(x) Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(y) Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows;

- Fixed lease payments less any lease incentives;
- Variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- Lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use asses comprise the initial measurement of the corresponding lease liability less any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(z) Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 2. Segment Reporting

The Group only operated in one segment, being investment in research and development of biopharmaceutical drugs.

Note 3. Revenue from contract with customers

	2023 $	2022 $
Revenue from contract with customers	618,568	99,730

Disaggregation of revenue from contract with customers is as follows:

	2023 $	2022 $
Geographic location		
Australia	618,568	99,730

	2023 $	2022 $
Timing of revenue recognition		
Services transferred over time	618,568	92,730
Goods transferred at a point in time	-	7,000
	618,568	**99,730**

Note 4. Government grants and tax incentives

	2023 $	2022 $
Government grants	24,300	-
R&D tax incentive	2,713,673	4,063,409
Export Market Development Grant	36,600	43,313
	2,774,573	**4,106,722**

The Research and Development Tax Incentive programme provides tax offsets for expenditure on eligible R&D activities. Under the programme, Exopharm, having an expected aggregated annual turnover of under $20 million, is entitled to a refundable R&D credit of 43.5% (2022: 43.5%) on the eligible R&D expenditure incurred on eligible R&D activities. One of the conditions the company must meet is ensuring more than 50% of total R&D activity costs will be incurred in Australia.

The refundable R&D tax offset is accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance.*

Notes to the consolidated financial statements

30 June 2023

Note 5. Research and development

	2023 $	2022 $
Research and development expenses	1,428,918	2,257,146
Depreciation of plant and equipment	1,058,127	978,313
Depreciation of right-of-use assets	574,631	677,277
Intellectual property expenses	303,297	278,084
	3,364,973	**4,190,820**

Note 6. Corporate and Administration expenses

	2023 $	2022 $
Corporate expenses	868,102	1,261,400
Professional and consulting fees	276,738	269,449
Insurance	218,871	210,526
Business development and marketing	93,796	290,071
Subscriptions	290,755	288,829
Travel expenses	9,071	108,519
Conference and sponsorship	17,729	80,882
Depreciation of plant and equipment	68,678	72,838
Other administrative expenses	229,398	411,134
	2,073,138	**2,993,648**

Note 7. Income tax expense

	2023 $	2022 $
(a) Income tax benefit		-
(b) Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	(7,134,980)	(10,235,951)
Tax at the statutory tax rate of 25% (2022: 25%)	(1,783,745)	(2,558,988)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Current period (loss) for which no deferred tax asset was recognised	1,783,745	2,558,988
	-	-

	2023 $	2022 $
Tax losses not recognised		
Losses available for offset against future taxable income	14,282,418	10,893,610
Potential tax benefit @ 25%	3,570,605	2,723,403

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

Note 8. Loss per share

Losses used in the calculation of basic and diluted loss per share is as follows:

	2023 $	2022 $
Loss after income tax attributable to the owners of Exopharm Limited	(7,130,264)	(10,084,011)
Weighted average number of ordinary shares		
	Number	**Number**
The weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:	196,893,706	157,192,229
	Cents	**Cents**
Basic and Diluted earnings per share	(3.62)	(6.42)

Note 9. Cash and cash equivalents

	2023 $	2022 $
Current assets		
Cash at bank	1,642,719	4,846,540

Note 10. Reconciliation of loss after income tax to net cash used in operating activities

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2023 $	2022 $
Loss after income tax expense for the year	(7,130,264)	(10,084,011)
Adjustments for:		
Depreciation and amortisation	1,742,061	1,728,428
Other non-cash expenses	293,567	-
Research and development refund claim	(2,713,673)	(4,063,409)
R&D - advance loan	5,086,259	(2,729,309)
Share based payments	-	18,898
Effects of exchange rate changes on cash and cash equivalents	18,644	1,684
Finance cost paid	27,533	-
Repayment of lease liabilities	532,425	-
Change in operating assets and liabilities:		
Decrease in other current assets	1,044,487	3,926,800
Increase/(decrease) in accounts payable and other current liabilities	(2,746,855)	2,673,364
Net cash used in operating activities	**(3,845,816)**	**(8,527,555)**

Note 11. Other current assets

	2023 $	2022 $
Current assets		
R&D tax incentive receivable	2,713,673	4,063,409
GST receivable	66,055	127,891
Prepayments	159,948	311,985
Security deposits	2,482	2,482
Other current assets	1,134	106,711
	2,943,292	**4,612,478**

R&D Tax Incentive receivable is based on criteria of eligible expenditure set out by AusIndustry. This amount has been pledged as security for a credit facility obtained during the year (refer to note 16).

Note 12. Property, plant and equipment

	2023 $	2022 $
Non-current assets		
Plant and equipment - at cost	3,457,927	3,815,960
Less: Accumulated depreciation	(2,496,433)	(1,737,340)
	961,494	2,078,620
Computer equipment - at cost	144,932	247,725
Less: Accumulated depreciation	(102,474)	(121,547)
	42,458	126,178
Office equipment - at cost	34,636	36,998
Less: Accumulated depreciation	(27,883)	(22,349)
	6,753	14,649
	1,010,705	**2,219,447**

Note 12. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant Equipment $	Computer Equipment $	Office Equipment $	Total $
Balance at 1 July 2021	2,007,477	99,015	16,973	2,123,465
Additions	1,049,508	90,130	7,495	1,147,133
Depreciation expense	(978,365)	(62,968)	(9,818)	(1,051,151)
Balance at 30 June 2022	2,078,620	126,177	14,650	2,219,447
Additions	142,233	16,857	-	159,090
Disposals	(206,308)	(34,495)	(224)	(241,027)
Depreciation expense	(1,053,051)	(66,082)	(7,672)	(1,126,805)
Balance at 30 June 2023	**961,494**	**42,457**	**6,754**	**1,010,705**

During the year ended 30 June 2023, a total of $241,027 fixed assets were written off, resulting in a loss of $233,608.

Note 13. Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2023 $	2022 $
Non-current assets		
Land and buildings - right-of-use	-	1,982,708
Less: Accumulated depreciation	-	(948,373)
	-	**1,034,335**

	2023 $	2022 $
Reconciliation		
Carrying value at beginning of year	1,034,335	1,355,483
Additions / lease inception	-	356,128
Termination of the lease	(459,704)	-
Depreciation	(574,631)	(677,276)
Carrying value at end of year	**-**	**1,034,335**

Right-of-use assets relates to laboratory and corporate offices facilities leased by the Company which were exited by the Company during the period. This lease is disclosed in the accounts as a lease liability. The facility was used by the Company's research and development team and has extensive laboratory facilities that are used to run experiments, maintain cultures and execute the development program. The lease was terminated on 21 April 2023. The security deposit amounting to $575,909 that was held by Macquarie Bank as security for the facilities was refunded to the Company during the period 30 June 2023.

Note 14. Intangibles

	2023 $	2022 $
Non-current assets		
Intellectual property - at cost	325,000	325,000
Less: Accumulated amortisation	(40,625)	-
	284,375	**325,000**

The Company has fully paid the $325,000 cost of the IP asset as at 30 June 2023.

During the period ended 30 June 2023, LEAP technology generated income. Accordingly, the IP asset was assessed to be available for use and was amortised over the useful life of 8 years from 1 July 2022. The amortisation expense recognised in the period was $40,625.

Notes to the consolidated financial statements

30 June 2023

Note 15. Accounts payable and other current liabilities

	2023 $	2022 $
Current liabilities		
Trade payables	38,870	214,460
Accruals	68,967	90,691
PAYG payable	-	423,157
	107,837	**728,308**

Note 16. Borrowings

	2023 $	2022 $
Current liabilities		
R&D Advance	1,391,746	2,729,304
Accrued interest	102,439	15,746
Other borrowings	39,234	-
	1,533,419	**2,745,050**

The credit facility represents an amount payable to Radium Capital and is secured by the Research and Development Tax Incentive receivable for the financial year ended 30 June 2023 (refer to note 11). The R&D advance was received in two Tranches, with the first tranche (Tranche 1) of $961,000 received in November 2022 and the second tranche (Tranche 2) of $430,746 received in March 2023. The settlements of loan obligations are made following receipt of R&D reimbursement.

The interest rate for the loan facility is 14.0% per annum for Tranche 1 and 15.0% per annum for Tranche 2. The borrowing is carried at amortised cost.

In July 2022, a drawdown amounting to $482,602 was made from the 30 June 2022 credit facility with Radium Capital. This loan was subsequently paid when the R&D Tax Incentive for 30 June 2022 was received.

Refer to note 21 for further information on financial instruments.

Note 17. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 $	2022 $
As at 1 July	997,820	1,356,066
Additions	-	356,128
Accretion of interest	27,327	65,480
Payments	(624,285)	(779,854)
Termination of lease	(400,862)	-
As at 30 June	**-**	**997,820**

	2023 $	2022 $
Current liabilities		
Lease liability	-	695,920
Non-current liabilities		
Lease liability	-	301,900
	-	**997,820**

The following are the amounts recognised in profit or loss:

	2023 $	2022 $
Depreciation - right of use asset	574,631	677,277
Interest expense on lease liabilities	27,237	65,480
Loss on termination of lease	52,194	-
Total amount recognised in profit or loss	**654,062**	**742,757**

Refer to note 13 for additional information on lease termination.

Note 18. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	73,208	292,041
Non-current liabilities		
Long service leave	39,684	42,732
	112,892	**334,773**

Note 19. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	439,423,066	157,211,533	36,725,231	34,313,482

Movement in ordinary shares	2023 No.	2022 No.	2023 $	2022 $
Balance at beginning of year	157,211,533	157,098,200	34,313,482	34,295,791
Shares issued through conversion of convertible note[1]	125,000,000	-	970,582	-
Shares issued through rights issue[2]	157,211,533	-	1,572,115	-
Performance shares issued	-	113,333	-	17,691
Less share issue costs	-	-	(130,948)	-
	439,423,066	**157,211,533**	**36,725,231**	**34,313,482**

[1] The Company issued 1,000,000 Convertible Note on 8 March 2023, these converted on 18 May 2023 at $0.008 per share to 125,000,000 ordinary shares. The convertible note was initially recognised at fair value of the debt amounting to $795,962 and the residual $127,955 recognised in equity (net after costs). The interest accrued over the life of the loan is $36,129. Upon redemption, the remaining balance of debt amounting to $832,091 was converted to equity.

[2] The company issued 80,224,048 ordinary shares on 28 April 2023 in relation to a standard pro-rata rights issue. On 12 May 2023, the Company issued a further 76,967,485 ordinary shares in relation to the placement of the rights issue shortfall.

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

Upon a poll each share is entitled to one vote.

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

Note 20. Reserves

	2023 $	2022 $
Foreign currency reserve	12,241	6,316
Share-based payments reserve	810,093	778,318
	822,334	**784,634**

Note 20. Reserves (continued)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

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

Reconciliation:

	2023 $	2022 $
Balance at beginning of year	778,318	777,112
Recognition of share-based payments	-	18,898
Vesting of options or rights that have been converted to ordinary shares	-	(17,692)
Recognition of share-based payment (recognised in equity as costs of raising capital)	31,775	-
Balance at end of year	**810,093**	**778,318**

Further information about share-based payments is set out in note 26.

Note 21. Financial instruments

	2023 $	2022 $
Financial assets		
Cash in bank	1,642,719	4,846,540
Other current assets	229,619	109,193
Other non-current assets	-	575,909
	1,872,338	**5,531,642**
Financial liabilities		
Accounts payable and other current liabilities	107,837	728,308
Lease liabilities	-	997,820
Interest-bearing loans and borrowings	1,533,419	2,745,055
	1,641,256	**4,471,183**

Note 21. Financial instruments (continued)

The Group's principal financial instruments comprise of cash and cash equivalents, other receivables, payables, borrowings and other current/non-current liabilities. The main purpose of the financial instruments is to provide working capital for the operations of the business. The Group also has other financial instruments such as trade creditors which arise directly from its operations. For the year ended 30 June 2023, it has been the Group's policy not to trade in financial instruments.

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Foreign exchange risk
- Capital risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk management

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

The Group's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group does not have any significant credit risk exposure. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group did not have any undrawn facilities at its disposal as at balance date.

Note 21. Financial instruments (continued)

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	5+ years
2023						
Non-interest bearing	-	107,836	-	-	-	-
Fixed interest rate instruments - Borrowings	4.95%	-	39,234	-	-	-
Fixed interest rate instruments - Borrowings	14.00%	-	-	1,042,315	-	-
Fixed interest rate instruments - Borrowings	15.00%	-	-	451,869	-	-
		107,836	**39,234**	**1,494,184**	**-**	**-**
2022						
Non-interest bearing	-	6,511	780,243	-	-	-
Fixed interest rate instruments - Leases	5.03%	63,266	191,393	471,314	271,847	-
Fixed interest rate instruments - Borrowings	15.00%	-	-	2,745,055	-	-
		69,777	**971,636**	**3,216,369**	**271,847**	**-**

(c) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to significant interest rate risk as it's obligations are with fixed interest rates.

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is not exposed to market risk as at reporting date.

(e) Foreign exchange risk

The Group has an exposure to foreign exchange rates fluctuations given that the Group purchases plant equipment, consumables and services from overseas suppliers as part of the research and development activities of the Group.

At 30 June 2023, the Group has cash denominated in CHF dollars (CHF $869 (2022: CHF$27,974)). The A$ equivalent at 30 June 2023 is $1,461 (2022: $42,429). Given the quantum of cash denominated in CHF dollars at 30 June 2023, the Group is not exposed to significant foreign exchange risk

Note 21. Financial instruments (continued)

(f) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The primary source of Group funding is equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads.
This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

Note 22. Related party transactions

The Company's related parties include Key Management and others as described below:

The aggregate compensation made to Directors and other Key Management Personnel of the Company is set out below:

	2023 $	2022 $
Short-term employee benefits	979,230	1,702,622
Post-employment benefits	76,460	89,389
Long-term benefits	9,718	7,729
Share-based payments	-	18,898
	1,065,408	**1,818,638**

Transactions with other related parties

The aggregate value of transactions with other related parties is set out below:

	2023 $	2022 $
Automic[1]	-	32,679
Advisory Panel Member (Dr Jennifer King)	-	70,000
Alto Capital[2]	99,303	-
Total	**99,303**	**102,679**

[1] Automic Group is the registered Company Secretary. Ms. Elizabeth McGregor was employed by the Automic Group until 30 September 2021. Ms. Elizabeth McGregor resigned as a Non-Executive Director on 20 December 2022.

[2] ACNC Capital Markets Pty Ltd T/A Alto Capital was paid $99,303 for services as Joint Lead Manager and advisor to the Company during the year. Mr Clarke Barlow is an employee of Alto Capital.

Note 23. Remuneration of auditor

The auditor of Exopharm Limited is William Buck Audit (Vic) Pty Ltd.

	2023 $	2022 $
Audit services		
Audit and review of the financial statements	53,500	46,750
Other services		
Tax advice	-	1,360
	53,500	**48,110**

Note 24. Dividends

The directors of the Company have not declared any dividend for the year ended 30 June 2023.

Note 25. Commitments and contingencies

As at 30 June 2023, the Company has no other material commitments except as disclosed below:

Altnia Royalty Deed Commitments

On 5 October 2018, the Company and Altnia Operations Pty Ltd (Altnia or Licensor) signed an Intellectual Property Assignment and License Termination Deed (the 'Deed'). As consideration for the assignment of the Assignment Rights, Exopharm must:

(a) grant royalties to Altnia; and
(b) provide the Reimbursement Payments to Altnia in accordance with Clause 7 of the Deed.

The Reimbursement Payments were fully paid during the 2019 year.

As at 30 June 2023, the Company is a party to a Royalty Deed with Altnia Operations Pty Ltd (a company owned by a KMP).

As at 30 June 2023, the Company has the following financial commitments pursuant to the Royalty Deed:

(1) Royalties on net sales – 3% of net sales;
(2) License Royalty – 10% of license revenue.

As at 30 June 2023, there is no royalties paid or accrued.

Note 26. Share-based payments

	2023 $	2022 $
Share-based payments (recognised in equity as cost of raising capital)	31,775	-
Arising on issuance of performance rights	-	18,898
	31,775	**18,898**

Options

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

Each option issued converts into one ordinary share of Exopharm Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence at the end of the current reporting period:

No. of Options	Grant date	Expiry date	Vesting date	Grant date fair value	Exercise price
1,500,000[1]	29/10/2020	9/11/2025	9/11/2020	$0.20	$0.40
1,500,000[1]	29/10/2020	9/11/2025	9/11/2020	$0.16	$0.60
1,500,000[1]	29/10/2020	9/11/2025	9/11/2020	$0.13	$0.90
3,000,000[2]	12/05/2023	12/05/2026	12/05/2023	$0.01	$0.01

[1] A total of 4,500,000 options were issued to Canary Capital Securities Pty Ltd in 2021 financial year as compensation for brokerage fee of capital raise.

1,500,000 options were issued with an exercise price of $0.40 and an expiry date of 5 years from date of issue as part of the Placement mandate.

3,000,000 options were issued as part of the Corporate Advisory mandate on the below terms:

- 1,500,000 unlisted options with an exercise price of $0.60 and an expiry date of 5 years from date of issue
- 1,500,000 unlisted options with an exercise price of $0.90 and an expiry date of 5 years from date of issue

[2] Total of 3,000,000 options were issued to Canary Capital and Alto Capital (and/or their nominees) as part of the Joint Lead Manager fee's as outlined in the Prospectus released to the ASX on 23 March 2023.

Note 26. Share-based payments (continued)

Performance rights

There were 2,650,000 performance rights granted to senior management on 11 October 2022. On 20 December 2022, the performance rights lapsed because the vesting conditions were not met. No share-based payments expense has been recorded in relation to the performance rights for the period.

Vesting conditions are based on the performance of Exopharm Limited's shares on the Australian Stock Exchange within a specified period. In addition, the holders of these rights have to be employed until the end of the agreed vesting period.

The Performance Rights will automatically convert to ordinary shares if the condition has been met at the vesting date.

The holders of these performance rights do not have the right to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

The Group used a Monte Carlo simulation to incorporate a probability-based value impact of the market conditions to determine the fair value of the Performance Rights.

The following share-based payment arrangements were issued in the current reporting period:

No. of Performance Rights	Grant date	Vesting date	Grant date share price	Vesting condition VWAP hurdle*	Volatility	Risk-free rate	Grant date fair value
2,650,000*	11/10/2022	01/01/2023	$0.13	$0.30	80%	3.28%	$0.0013

* The Performance Rights will vest on the vesting date if the Company's shares achieving a volume weighted average price ("VWAP") of at least $0.30 over twenty consecutive trading days between the issue date and 31 December 2022.

On 20 December 2022, the performance rights lapsed because the vesting conditions were not met.

Notes to the consolidated financial statements

30 June 2023

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023 $	**2022 $**
Loss after income tax	(7,119,376)	(9,967,917)
Total Loss	(7,119,376)	(9,967,916)

Statement of financial position

	Parent	
	2023 $	**2022 $**
Total current assets	4,584,037	9,416,591
Total assets	6,160,080	13,879,400
Total current liabilities	1,714,464	4,457,194
Total liabilities	1,754,148	4,801,826
Net assets	**4,405,932**	**9,077,574**
Equity		
Issued capital	36,725,231	34,313,482
Share-based payments reserve	810,093	778,318
Accumulated losses	(33,129,391)	(26,014,226)
Total equity	**4,405,933**	**9,077,574**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2023 %	2022 %
ExoSuisse GmbH	Switzerland	100.00%	100.00%

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration

30 June 2023

In the opinion of the Board of Exopharm Limited ('the Company'):

1. The financial statements and notes thereto, as set out on pages 17 to 56 are in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the Company's financial position as at 30 June 2023 and its performance for the year then ended; and
- complying with Australian Accounting Standards, the Corporations Regulations 2001, and International Standards (IFRS) as disclosed in Note 1 of the Financial Statements; and

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

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to S.295(5) of the Corporations Act 2001. On behalf of the Directors:

Dr Ian E Dixon
Managing Director & CEO

29 August 2023

Independent auditor's report to the members of Exopharm Limited

30 June 2023

WilliamBuck
ACCOUNTANTS & ADVISORS

Exopharm Limited
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Exopharm Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of $7,130,264 and net cash outflows from operating activities of $3,845,816 for the year ended 30 June 2023. As stated in Note 1, these events or conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Independent auditor's report to the members of Exopharm Limited

30 June 2023

WilliamBuck
ACCOUNTANTS & ADVISORS

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

VALUATION OF CONVERTIBLE NOTES	
Area of focus	**How our audit addressed it**
As disclosed in note 19, the Group raised $1.0 million cash proceeds on 8 March 2023 through the issuance of convertible notes. The notes were converted into issued equity on 18 May 2023. The convertible notes by their nature were considered complex financial instruments, through assessing for embedded derivatives under AASB 9 *Financial Instruments* and measuring of the fair value of the instruments. As at 30 June 2023, all of the issued convertible notes had been converted to equity, resulting in the issuance of 125,000,000 ordinary shares to the noteholders. Due to the complexity of assessing the contractual terms of notes and assessing the reasonableness of initial recognition including conversion features and the fair value of the instrument, this was considered a Key Audit Matter.	Our audit procedures included the following: — Examining the contractual terms of convertible notes including assessment of the equity conversion terms; — Assessing the reasonableness of the initial fair value recognised of the host liability and equity derivative component as at issuance date; — Agreeing to relevant supporting evidence of the cash received from the issue of convertible notes, and the subsequent issuance of shares to noteholders; and — Assessing the reasonableness of presentation and disclosure in the group financial statements with respect to the convertible notes.
RECOGNITION OF REVENUE FROM CUSTOMERS	
Area of focus	**How our audit addressed it**
Revenue from customer contracts is disclosed in Notes 3 and 4 to the financial statements. The group's revenue from customers is generated through bespoke contracts related to feasibility studies. This area is a Key Audit Matter as each revenue stream requires a bespoke revenue recognition model which requires judgement by management in identifying performance obligations, the allocation of the transaction price and the satisfaction of performance obligations over time or at a point in time in accordance with AASB 15 *Revenue from Contracts with Customers* ('AASB 15').	Our audit procedures included: — The evaluation of revenue recognition policies for all material sources of revenue to assess if revenue is recognised in accordance with AASB 15; — Performing test of detail through a sample of the revenue from customers recognised during the period through agreeing to contracts and customer pricing; — Examining a sample of contracts to assess the fulfilment of performance milestones relevant to material revenue contracts; — Performing revenue cut-off testing at the period end to assess if revenue is recorded in the correct period; and — In-addition, we also examined key disclosures relating to the recognition of revenue in the financial statements.

Independent auditor's report to the members of Exopharm Limited

30 June 2023

William Buck
ACCOUNTANTS & ADVISORS

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Independent auditor's report to the members of Exopharm Limited

30 June 2023

William Buck
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Exopharm Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Yours sincerely

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

R. P. Burt
Director
Melbourne, 29 August 2023

Shareholder information

30 June 2023

The shareholder information set out below was applicable as at 2 August 2023.

There is one class of quoted securities, fully paid ordinary shares.

(a) Distribution of Security Number

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	191	111,327	0.03%
above 1,000 up to and including 5,000	513	1,406,415	0.32%
above 5,000 up to and including 10,000	282	2,294,483	0.52%
above 10,000 up to and including 100,000	794	30,379,220	6.91%
above 100,000	389	405,228,621	92.22%
Totals	**2,169**	**439,420,066**	**100%**

There are 2,169 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

(b) Marketable Parcel

There are 1,547 shareholders with less than a marketable parcel (basis price $0.01) as at 2 August 2023.

(c) On-Market Buy-Back

There is no on-market buy-back scheme in operation for the Company’s quoted shares.

(d) AGM and Director Nomination

Exopharm Limited’s Annual General Meeting (AGM) of Exopharm is scheduled for Thursday 23 November 2023.

In accordance with Clause 13.3 of the Company’s Constitution, nominations for election of directors at the AGM must be received no less than 30 Business Days before the meeting, being no later than 12 October 2023.

Shareholder information

30 June 2023

(e) Top 20 Security Holders

The names of the twenty largest holders of quoted equity security, being fully paid ordinary shares, the number of equity security each holds and the percentage of capital each holds is as follows:

	Ordinary shares	
	Number held	% of total shares issued
ALTNIA HOLDINGS PTY LTD (DIXON FAMILY A/C)	28,258,627	6.43%
KYRIACO BARBER PTY LTD	19,287,557	4.39%
ZESSHAM PTY LTD (ZESSHAM A/C)	13,200,000	3.00%
DIXSON TRUST PTY LIMITED	11,712,000	2.67%
CITICORP NOMINEES PTY LIMITED	8,987,356	2.05%
CANARY CAPITAL PTY LTD	8,158,333	1.86%
MR MICHAEL FRANCIS MCMAHON & MRS SUSAN LESLEY MCMAHON (MCMAHON SUPER FUND A/C)	7,500,000	1.71%
HARLUND INVESTMENTS PTY LTD (HART FAMILY SUPER FUND A/C)	7,500,000	1.71%
WFC NOMINEES AUSTRALIA PTY LTD	7,500,000	1.71%
SUPERHERO SECUITIES LIMITED (CLIENT A/C)	6,260,095	1.42%
MR PAUL JAMES MADDEN	5,750,000	1.31%
WOLSELEY ROAD #1 PTY LTD (ADSALEUM FAMILY A/C)	4,800,000	1.09%
HUON PINE PTY LTD (HUON PINE INVESTMENT A/C)	4,752,831	1.08%
MR PAUL JOSEPH COZZI	4,000,000	0.91%
OLDVIEW ENTERPRISES PTY LTD (THE PRIESTLEY A/C)	4,000,000	0.91%
MR PRINSLOO MARCELLUS ZIGA DUBE	3,780,000	0.86%
MR CARLO BELLINI	3,750,000	0.85%
MR ANDREW FAY & MRS NARELLE FAY (ANDREW FAY SUPER FUND A/C)	3,750,000	0.85%
CELTIC FINANCE CORP PTY LTD	3,750,000	0.85%
MRS ANN HATCH	3,525,000	0.80%
Total	**160,221,799**	**36.46%**
Total issued capital	**439,423,066**	**100.00%**

Shareholder information

30 June 2023

Other ASX Information

1. Corporate Governance

The Company's Corporate Governance Statement as at 30 June 2023 as approved by the Board can be viewed at https://exopharm.com/financial-reporting/.

2. Stock Exchange on which the Company's Securities are Quoted

The Company's listed equity securities are quoted on the Australian Stock Exchange

3. Review of Operations

A review of operations is contained in the Directors' Report.

4. Restricted Securities

As at 2 August 2023, the Company had no restricted securities:

Unquoted equity securities

The Company has the following unquoted equity securities on issues:

Options	Holders
1,500,000 Unlisted Options, exercisable at $0.40 and expiring 9 November 2025	7
1,500,000 Unlisted Options, exercisable at $0.60 and expiring 9 November 2025	7
1,500,000 Unlisted Options, exercisable at $0.90 and expiring 9 November 2025	7
3,000,000 Unlisted Options, exercisable at $0.01 and expiring 12 May 2026	7
	28

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	3	225,000	3%
above 100,000	8	7,275,000	97%
Totals	**11**	**7,500,000**	**100%**

Voting Rights

There are 11 holders of unlisted options. There are no voting rights attached to unlisted options.

Shareholder information

30 June 2023

Holders with 20% or More of Unquoted Equity Securities

Name	Options exercisable at $0.40, expiring 09.11.25	Options exercisable at $0.60, expiring 09.11.25	Options exercisable at $0.90, expiring 09.11.25	Options exercisable at $0.01, expiring 12.05.26
ANNA CARINA PTY LTD <ANNA CARINA FAMILY A/C>	27.50%	27.50%	27.50%	20.00%
MR JODET DURAK	27.50%	27.50%	27.50%	-
ACNS CAPITAL MARKETS PTY LTD	-	-	-	50.00%
MR ARUNAVA SENGUPTA	-	-	-	20.00%

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
Name	Number held	% of total shares issued
Altnia Holdings Pty Ltd (Dixon Family A/C) (a related party of Dr Ian Dixon)	28,258,627	6.43%

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