Exopharm Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Exopharm Limited
ABN:	78 163 765 991
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	>100%	to	102,749
Loss from ordinary activities after tax attributable to the owners of Exopharm Limited	up	19.1%	to	(10,084,011)
Loss for the year attributable to the owners of Exopharm Limited	up	19.1%	to	(10,084,011)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to $10,084,011 (30 June 2021: $8,468,046).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.37	11.80

4. Loss of control over entities

Not applicable.

5. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued with an emphasis of matter for going concern.

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10. Attachments

Details of attachments (if any):

The Annual Report of Exopharm Limited for the year ended 30 June 2022 is attached.

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11. Signed

Signed _____ Date: 31 August 2022

Ian Dixon
CEO and Managing Director
Melbourne

Annual Report 2022

Delivering Transformative Medicines

Exopharm Limited
ABN 78 163 765 991

Contents

Corporate Directory

Directors	Mr Jason Watson Dr Ian Dixon Ms Elizabeth McGregor Dr Jennifer King
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	Level 1, 31 Queen Street Melbourne VIC 3000 Telephone: (03) 9111 0026 Email: info@exopharm.com
Share register	Automic 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 2022

Dear Shareholders,

Since its inception in 2013, Exopharm has been leading in the field of exosome technologies. Today, and with your support, we believe that the company is positioned at the right place and at the right time.

Just as pharmaceutical and biotechnology companies are seeking next-generation delivery technologies to improve their own products, Exopharm is able to offer exosomes and associated proprietary technologies and know-how to address drug delivery challenges. These same technologies are enabling development of Exopharm's own products.

We have achieved significant operational milestones over the past year and momentum is continuing to build. In FY22, we were granted a US patent for our LEAP technology, we signed two additional commercial collaboration agreements, with Showa Denko Materials Co., Ltd. and Astellas Institute for Regenerative Medicine, and the first commercial revenues have been received.

Following the success of mRNA-based COVID vaccines, industry interest in genetic medicines continues to build – exosomes have the potential to deliver genetic medicines and potentially help millions of patients. The global addressable market for DNA-based gene therapy has been estimated to reach $15B by 2030[1] and the RNA-based therapeutics market is projected to see accelerated growth reaching a global addressable market in excess of US$25B by 2030[2].

Exopharm started with the LEAP purification technology, but today has a portfolio of technologies (a 'tool chest') that address the end-to-end challenges in harnessing exosomes for drug delivery at large-scale. This tool chest is described in this report in more detail and underpins Exopharm's position as a pioneer and innovator in exosome medicine.

We thank our employees, stakeholders and shareholders for their ongoing support – it is much appreciated by the Board of Directors. We look forward to more progress and outcomes in the year ahead.

Dr Ian Dixon
Managing Director & CEO

Mr Jason Watson
Chairman

[1] "Gene Therapy Market Size, Growth, Trends, Report 2021-2030" 2021 www.precedenceresearch.com/gene-therapy-market
[2] "RNA based therapeutic market forecast 2021-2030" https://www.alliedmarketresearch.com/rna-based-therapeutics-market

Directors' Report

30 June 2022

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 2022.

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
Dr Ian Dixon	Managing Director & CEO
Ms Elizabeth McGregor	Non-Executive Director and Company Secretary *(Resigned as Company Secretary on 30 September 2021)*
Dr Jennifer King	Non-Executive Director (Appointed on 1 September 2021)

Names, qualifications, experience and special responsibilities of Directors currently in office.

Mr Jason Watson - Non-Executive Chairman

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.

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. Also a founder 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).

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

(resigned as Company Secretary 30 September 2021)

BA (Hons), MBA, FGIA, GAICD

Ms 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.

Dr Jennifer King - Non Executive Director

(Appointed 1 September 2021)

Dr Jennifer King has over 20 years of operating experience in the biopharmaceutical industry. Currently she is a Principal at King BioConsulting, which provides business development and strategic support for biotechnology companies and other key stakeholders, with a focus on cutting edge technologies and orphan indications. Previously, she was Senior Vice President of Business Development at Intellia Therapeutics (NASDAQ: NTLA) where she founded and grew the Business Development and New Product Commercialization groups. She has also held business development and commercialization roles at Shire PLC (acquired by Takeda Pharmaceuticals in 2019) and Millennium Pharmaceuticals (acquired by Takeda Pharmaceuticals in 2008).

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.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Jason Watson	7	7
Dr Ian Dixon	7	7
Ms Elizabeth McGregor	7	7
Dr Jennifer King[1]	5	5

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

[1] Dr Jennifer King was appointed on 1 September 2021.

Directors' Report

30 June 2022

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	380,000	-	-
Dr Ian Dixon	28,258,627	-	-
Ms Elizabeth McGregor	30,000	-	-
Dr Jennifer King	-	-	-

As at the date of this report, the Company had 157,211,533 fully paid ordinary shares and 4,500,000 share options.

Directors' Report

30 June 2022

Review of Operations & Results

Highlights

1. Commercial revenue starts from partnering activities and is building
2. Further progress on Exopharm's technologies to support partnering and products
3. Increased interest in exosomes to solve drug-delivery problems – particularly for genetic medicines
4. Clear strategy and operational focus in place – costs being managed

Significant outcomes achieved over the past 12 months – momentum building

Some significant outcomes have been achieved over the past year, including receiving a granted US patent for the LEAP technology and signing several new commercial collaboration agreements.

Exopharm is well positioned to take advantage of the growing interest in using exosomes as a drug delivery technology in the pharmaceutical industry. It has a strategy of bringing in revenue by enabling others to use exosomes for their products.

Exopharm's team continues to expand its proprietary technologies and know-how into a tool chest of enabling tools that can be applied to a range of exosome medicines.

1. Commercial revenue starts from partnering activities and is building

Exopharm's strategy includes seeking to generate revenue from pharmaceutical and biotechnology companies that want to use exosomes as a new type of medicine. Commercial partners can access Exopharm's 'tool chest' of exosome technologies under collaboration agreements and/or License agreements.

In September 2021, Exopharm announced that a leading manufacturing company, Showa Denko Materials, selected Exopharm's LEAP technology for evaluation under a Feasibility Study Agreement. This evaluation work by Showa Denko is ongoing.

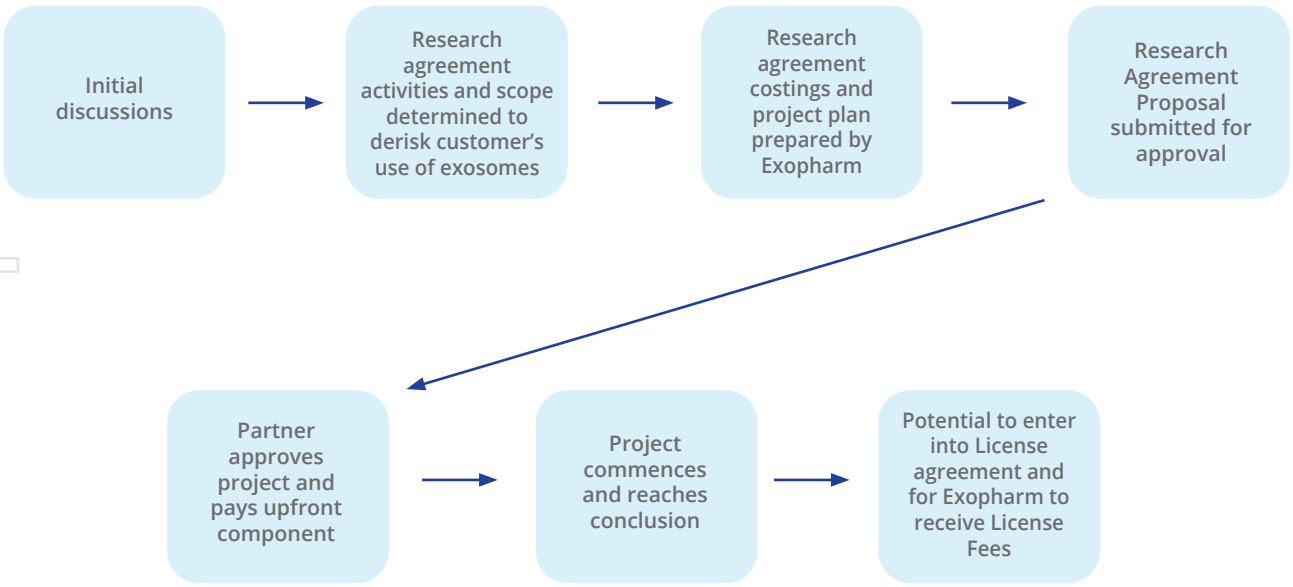
The Finnish Red Cross Blood Service and Exopharm are actively exploring potential licensing structures following an evaluation of our LEAP technology to produce blood-cell-derived exosomes.

In January 2022, Exopharm announced the Master Collaborative Services Agreement (MSA) with Astellas Institute for Regenerative Medicine (AIRM), a subsidiary of Astellas Pharma Inc., a top 20 global pharmaceutical company. Under the Astellas MSA, the initial research projects are designed to validate Exopharm's LEAP, LOAD and EVPS technology platforms to manufacture exosomes for Astellas, initially at Exopharm's facilities in Melbourne, and then followed by work at Astellas facilities in Massachusetts, USA. Exopharm has received the first payment of AU$77K, and AIRM will potentially pay Exopharm fees of up to US$481,000 under the MSA.

Presently, commercial deals are sought to be structured in two main formats:

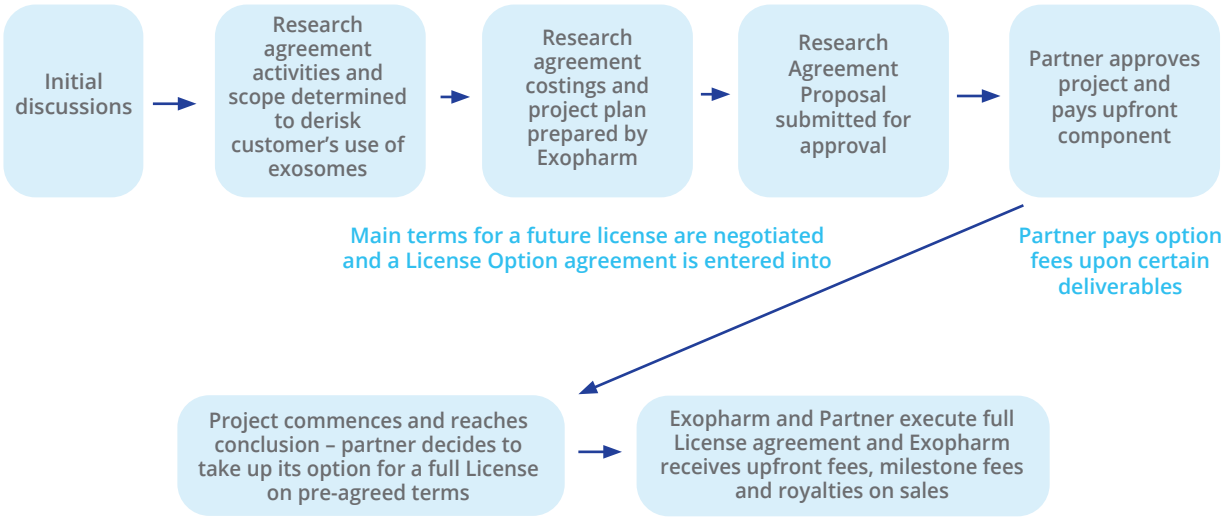
Deal Structure - Format 1

In format 1, the relationship starts with a research program to demonstrate the utility of exosomes to the partner. After the successful conclusion of the research activities, full Licence terms are to be negotiated.



Deal Structure Format 2

In format 2, a near-term demonstration research program and the main terms of a future license are negotiated upfront. The initial demonstration research collaboration is designed to de-risk the utility of exosomes to the partner and has an attached License option with main License terms agreed upon upfront. Finalisation of a full Licence is left until after a successful conclusion of the demonstration research activities and the exercise of the License option by the partner.



In this way, Exopharm can accommodate the commercial needs of partners: deals in Format 1 enable a potential partner to de-risk their exosome-based product before commercial negotiations. Deals in Format 2 enable the potential partner to lock in future license terms in advance.

Discussions are underway with several potential partners on new research collaborations and licensing options/agreements. Exopharm is offering partners non-exclusive access to its evolving 'tool chest' of exosome technologies – including patented LEAP for purification on a large-scale, LOAD to load active pharmaceutical ingredient (API) into exosomes, and EVPS to provide tissue-specific delivery ('tissue tropism') inside the body. In some cases, agreements may grant some field-of-use exclusivity.

2. Further progress on Exopharm's technologies to support partnering and products

Since its formation in 2013, Exopharm has been developing a portfolio of technologies to allow the commercialisation of exosome-based medicines. This collection of exosome-related technologies (the 'tool chest') places Exopharm in a leadership position in exosome research, manufacture and product development.

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.

Other technologies and know-how are under development.

Exopharm's expanding 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 uses 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 active pharmaceutical ingredients (APIs) into exosomes. APIs can include DNA and RNA. Over the past year, Exopharm has successfully established 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.

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 the transportation and storage of exosome medicines whilst avoiding damage and limiting degradation.

[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

LEAP patent granted in the USA

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

In December 2021, Exopharm was granted US patent US 11202805 "Methods And Compositions For Purification Or Isolation Of Microvesicles And Exosomes" for its proprietary LEAP exosome purification technology. This patent positions Exopharm as a global leader in meeting the challenge of large-scale, commercial production of exosomes and strengthens Exopharm's potential for licensing agreements. The LEAP patent has already been granted in Russia, and Exopharm continues to pursue this patent family in 10 key global jurisdictions.

Exopharm's tool chest of exosome-related technologies supports the strategy and building near-term revenue:

Application of Exopharm's tool chest of exosome technologies	
Exopharm's own products	**Products of other pharmaceutical and biotechnology companies**
Engineered exosomes as genetic medicines	**Engineered exosomes** for drug delivery of APIs incl. DNA, RNA, small molecules, large molecules etc **Naïve exosomes** for a range of product types incl: • regenerative medicine • aesthetic products • nutraceuticals

3. Increased interest in exosomes to solve drug-delivery problems – particularly for genetic medicines

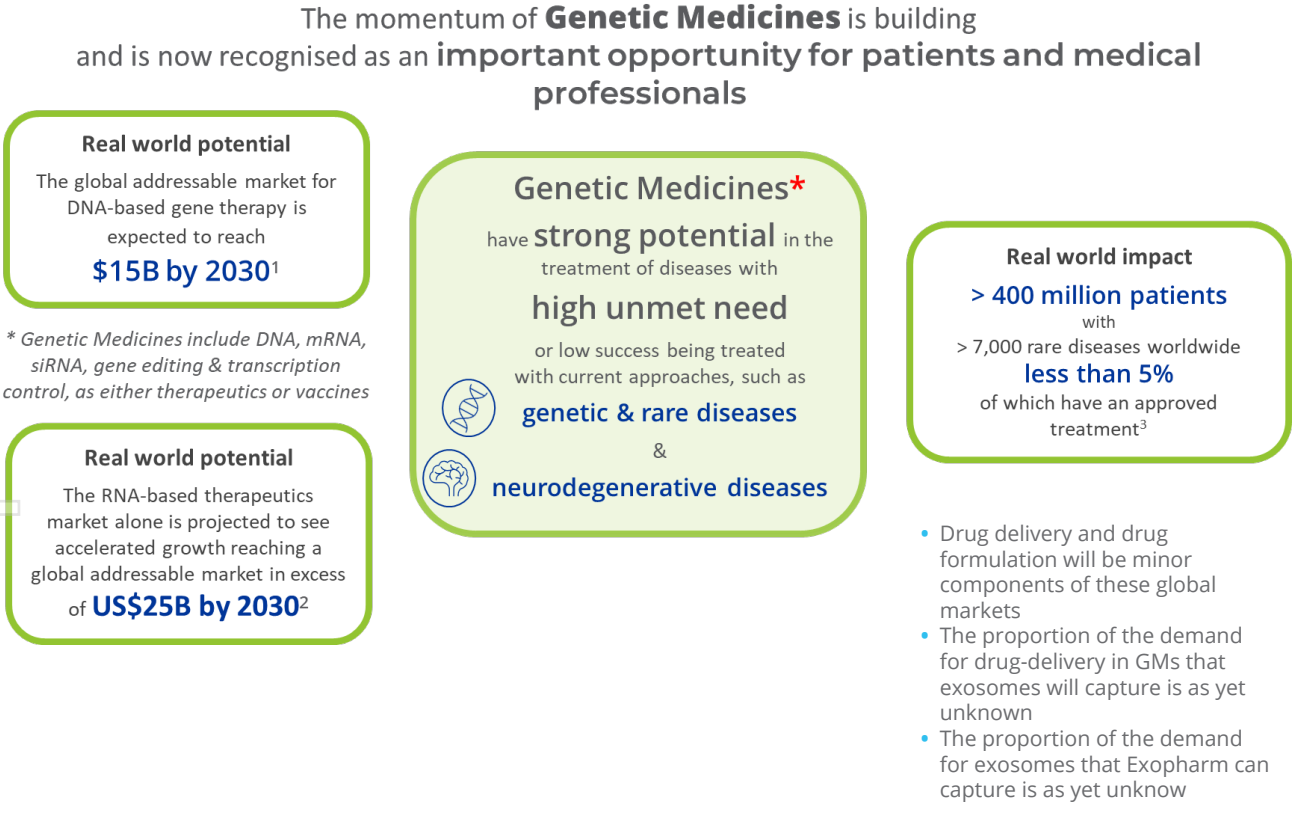
Exosomes can be used to improve the delivery of drug APIs inside the body. The advantages of exosomes as a drug delivery technology are especially important for genetic medicines.

Exosomes are nature's delivery mechanism

Exosomes are nano-sized vesicles, or bubbles, secreted naturally from almost all cells. In the body, exosomes are involved in the inter-cellular "signalling" at the heart of cell-to-cell communication, thereby coordinating activities such as growth and repair.
In humans, exosomes occur naturally and carry cargos, such as RNA, DNA and proteins throughout the body, without triggering an immune response, making them the ideal next-generation delivery platform for genetic medicines.

Exosomes to deliver genetic medicines

DNA and RNA as APIs is an emerging field in medicine - the market forecasts and medical needs show great promise for genetic medicines of many types and variations.



1. "Gene Therapy Market Size, Growth, Trends, Report 2021-2030" 2021 www.precedenceresearch.com/gene-therapy-market
2. "RNA based therapeutic market forecast 2021-2030" https://www.alliedmarketresearch.com/rna-based-therapeutics-market Dec 2021
3. Global Genes https://globalgenes.org/rare-disease-facts

Yet these nucleic acids (DNA and RNA) require a way to deliver them into the patient's cells and become biologically active.

Genetic medicines seek to change the expression of a gene in the patient's cells to potentially correct genetic deficiencies that were present at birth or arise over time - potentially changing the root cause of the medical condition rather than treating the symptoms.

Cystic fibrosis (CF) is an example. Cystic fibrosis is a relatively prevalent problem caused by mutations in the cystic fibrosis transmembrane conductance regulator (CFTR) gene and the resultant defective CFTR ion channel in the patient's lung and other cells. Additive DNA (or mRNA) encoding the CFTR gene could be used to treat people with CF.

Genetic medicines generally have two core components: an active pharmaceutical ingredient (API) payload and a delivery 'vehicle'.

Genetic medicine components	
Nucleic acid API	**Encapsulation and delivery options**
Encapsulation and delivery options Genetic medicine APIs include: • DNA • RNA (mRNA, miRNA, siRNA etc)	Delivery vehicles can include: • Exosomes • Synthetic Lipid Nanoparticles (LNPs) and Liposomes • Viral vectors (e.g. AAVs, lentiviruses)

Nucleic acid APIs

Delivery of DNA as an API is potentially more long-lasting than mRNA – potentially a 'one-and-done' treatment for some conditions.

The FDA has approved two additive DNA products using AAV viral vectors for gene therapy, and many are in clinical trials. But the safety of AAV products has recently been questioned, and the industry is looking for non-viral delivery alternatives for DNA-based additive gene therapy products.

Messenger RNA (mRNA) has emerged as a new category of API, and the clinical value of mRNA has been seen in the accelerated development of the COVID-19 vaccines. Beyond vaccines, genetic medicines have broad clinical potential across various diseases and medical indications.

Encapsulation and delivery options

To unlock broader clinical applications, an immune-silent, stable delivery vehicle capable of crossing all biological barriers, reaching all body compartments, releasing the drug cargo into the correct area within a cell and protecting the drug cargo from immune-system degradation is required.

Nucleic acid API Encapsulation and delivery options	
Exosomes	Until recently the main problems facing the use of exosomes as a delivery option has been the lack of manufacturing technologies suited to large-scale manufacture
LNPs	Synthetic Lipid Nanoparticles (LNPs) were first developed in the 1990s and have recently emerged as an effective delivery formulation for mRNA vaccines now in clinical use against COVID-19.
Liposomes	Synthetic liposomes have a longer history but have largely been replaced by LNPs.
Viral vectors	Whilst viral vectors have shown promise, recent safety and immunogenicity limitations affect the field.

Exosomes compared with LNPs.

Whilst LNPs are well suited to low-cost vaccine products and injections, LNPs are potentially less well suited to therapeutic genetic medicine products.

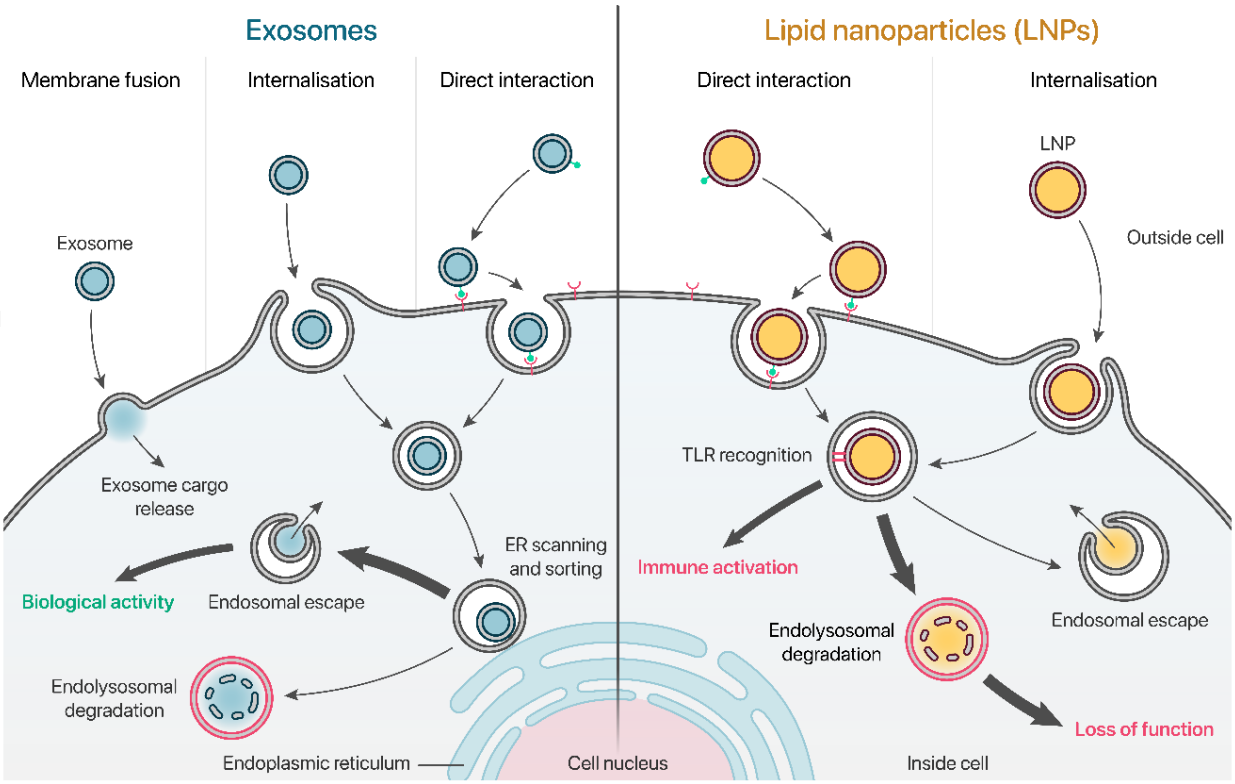


Diagram 1: mRNA delivery into cells using exosomes or LNPs

RNA delivered via natural exosomes is processed differently than if delivered by synthetic LNPs – and data suggests that exosome delivery is more efficient and stimulates the innate immune system less.

The API needs to be delivered into the cell's nucleus for therapies with DNA as the API or where gene editing is required. Exosomes have been shown to deliver DNA and other APIs into the cell's nucleus.

Exosomes have also been reported to cross barriers inside the body, such as the blood-brain barrier. Therefore, exosomes could potentially be used to deliver APIs to treat neurological and central nervous system medical conditions such as Alzheimer's Disease and Multiple Sclerosis.

4. Clear strategy and operational focus in place – costs being managed & focus on core activities

Exopharm has a clear strategy to capitalise upon its strengths in exosome medicines.

Exopharm's strategy – product and platform	
Product	**Platform**
Exopharm's own genetic medicine products	Exosome-based products of other pharmaceutical and biotechnology companies
Develop and partner Exopharm's own products	Paid-for research collaborations and Licenses with partners wanting to use exosomes for their own products and using one or more of Exopharm's technologies
Later financial value	Early commercial revenue

Our focus is on two core deliverables:

1. Development of the Company's product pipeline of exosome-based genetic medicines; and
2. Bringing in revenue from demonstration research programs and Licensing agreements with pharmaceutical and biotechnology companies that require access to technologies from Exopharm's tool chest.

Exopharm's products

Exopharm will leverage the portfolio of exosome technologies to advance a limited number of engineered exosome genetic medicine product candidates through preclinical development and toward registration. These programs may, in some cases, be part-funded by outside development funding. Some products may be partnered out before registration.

Non-dilutive funding is also being sought to support the development of some key products that are attractive to industry partners and Patient Advocacy Organisations (PAOs).

Revenue from demonstration research programs and Licensing agreements

The recent commercial collaboration partnerships with Astellas and Showa Denko are outcomes of this part of the strategy.

Discussions are underway with serveral potential partners on new research collaborations and licensing options/ agreements. In some cases, agreements may grant some field-of-use exclusivity.

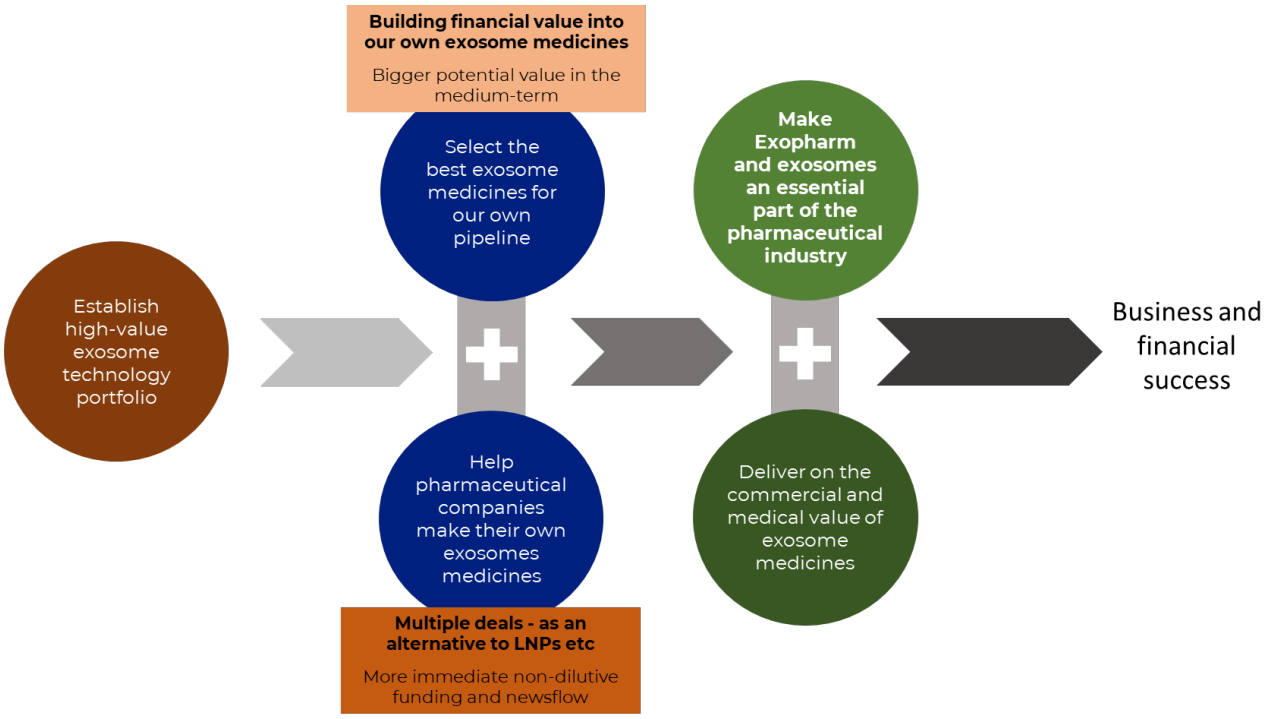


Diagram 2: Parts of the Exopharm strategy

Directors' Report

30 June 2022

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.

COVID-19

The Company is subject to laws and regulations, including COVID-19-related rules and regulations that may change over time. The Company has generally maintained operations throughout the pandemic, but operations have been and continue to be affected. The Company has adopted measures such as online conferencing, remote and flexible work arrangements where possible and reduced business travel. The on-site COVID-19 measures have been compliant with the Victorian "permitted industry/permitted work regulations" during lockdowns, and productivity has been affected. COVID-19 has and continues to impact global supply chains that also affect the company.

Supply chain

Geopolitical circumstances may also impact the supply and costs of materials due to increases in energy costs and potential disruptions at manufacturing sites. These risks are, to some extent, mitigated through internal planning, demand and lead-time management, sourcing of suitable alternatives and active supplier relationship management.

Skilled and experienced staff

The Company's success depends to a significant extent upon its existing key management personnel and the ability to recruit future management and technical personnel with biotechnology experience, people who are generally in high demand. The Company is managing this challenge by upskilling existing staff, competitive salary packages and supporting visa applications for international staff and candidates if required.

Commercialisation success

The Company faces the risk that it does not successfully commercialise technologies from its portfolio or its own product developments. There is no guarantee that the Company will be able to negotiate attractive commercial terms for future licence agreements. The Company engages proactively with key stakeholders to manage this risk.

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. The Board and Management regularly review the cash position of the Company and cash flow.

GLOSSARY

AAV	Adeno-Associated Virus
CRISPR	clustered regularly interspaced short palindromic repeats – a gene editing technology
DNA	Deoxyribonucleic acid
FDA	Food and Drug Administration
mRNA	messenger ribonucleic acid
RNA	ribonucleic acid
siRNA	silencing ribonucleic acid
tropism	tissue tropism means selective to certain cells, tissue or organs

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 $10,084,011 (30 June 2021: $8,468,046).

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
Options/performance rights lapsed or forfeited					
Exopharm Limited	-	463,333	Performance rights	N/A	01 January 2022

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.

113,333 performance rights vested to ordinary shares during the financial year.

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

Review of financial conditions

The Group has cash in bank of $4,846,540 as at 30 June 2022 (2021: $12,723,581). The Directors are of the opinion that the Group is a going concern.

Directors' Report

30 June 2022

Significant events during the year

On 01 September 2021 the Company appointed Dr Jennifer King as an independent Non-executive Director.

On 01 September 2021 the Company issued 113,333 fully paid ordinary shares to Key Management Personnel following conversion of performance rights.

On 30 September 2021 the Company appointed Mr David Franks as Company Secretary.

On 22 December 2021 the company gained the US patent for LEAP commercial exosome production technology.

On 31 January 2022 Exopharm Limited signed a Master Collaborative Services Agreement (MSA) with the Astellas Institute for Regenerative Medicine (AIRM).

On 16 June 2022, 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 2021 – 30 April 2022. As at 30 June 2022, the Company had drawn funds of $2,729,309 under this facility which is secured against the FY2022 Research and Development Tax Incentive (RDTI) refund.

Significant events after balance sheet date

On 28 July 2022, 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 amounting to $482,602 for the period 1 May 2022 – 30 June 2022.

No other matter or circumstance has arisen since 30 June 2022 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 2022

Company Secretary

Mr David Franks of the Automic Group is the Company Secretary and has been in office since 30 September 2021. Ms Elizabeth McGregor, was the Company Secretary from 5 January 2021 to 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 auditor, 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 2022.

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 2022. 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 FY22:

DIRECTORS	POSITION	TERM AS KMP
Dr Ian Dixon	Managing Director & CEO	Full Financial Year
Mr Jason Watson	Non-Executive Chairman	Full Financial Year
Ms Elizabeth McGregor	Non-Executive Director & Company Secretary [1]	Full Financial Year
Dr Jennifer King	Non-Executive Director	Commenced 1 September 2021

[1] Ms Elizabeth McGregor resigned as company secretary on 30 September 2021.

EXECUTIVES	POSITION	TERM AS KMP
Dr Michael West	Chief Technology Officer	Commenced 15 November 2021
Dr Christopher Baldwin	Deputy CEO & Chief Commercial Officer	Ceased 4 February 2022
Mr David Oxley	President - International	Commenced 9 August 2021

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 2022. 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 $110,000 per annum and the non-executive Directors receive $50,000 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 2022 and have resulted in an increase 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	to 31 May 2022	From 1 June 2022[1]
Chair	$110,000	$88,000
Member	$50,000	$40,000

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 30 May 2022 it was announced all Directors had voluntarily cut their Director fees by 20%.

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:** $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 Sep 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	$88,000 per annum (including super)	**Commencement date:** 1 June 2022	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.
	Prior agreement $110,000 per annum (including super)	**Commencement date:** 1 September 2021	
	Prior agreement $96,000 per annum (including super)	**Commencement date:** 10 August 2018	

Directors' Report

30 June 2022

Non-Executive Directors	Base Salary/Fee	Terms of Agreement	Notice Period
Ms Elizabeth McGregor	$40,000 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	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act, 2001.
Dr Jennifer King	$40,000 per annum (including super) Prior agreement $50,000 per annum (including super)	**Commencement date:** 1 June 2022 **Commencement date:** 1 September 2021	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	**Base Remuneration:** $404,274 per annum (including super)[1]	**Commencement date:** 9 August 2021	1 month in writing by either party
Dr Christopher Baldwin	**Base Remuneration:** $330,000 per annum (including Super) **Bonus Remuneration:** **1:** At-risk annual Cash bonus of up to $33,000 (inclusive of Superannuation) based on KPIs to be set; and **2:** At-risk annual Share bonus for first 12 months for the smaller of 75,000 shares (FPO) or $75,000 (inclusive of Superannuation) based on KPIs to be set.	**Commencement date:** 25 November 2019	3 months in writing by either party **Employment ceased:** 4 February 2022
Dr Michael West	**Base Remuneration:** $289,717 per annum (including super)[2]	**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 to 6 February 2022.
[2] Base remuneration based on full time equivalent. Mr Michael West worked 20% FTE to 15 November 2021.

Directors' Report

30 June 2022

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 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.

Directors' Report

30 June 2022

	Short-term benefits			Post-employ-ment benefits	Long-term benefits	Share-based payments	
2021	Salary & Fees $	Bonus Payments $	Non-Monetary (Restated) $	Super annuation $	LSL $	Equity-settled options $	Total (Restated)
Directors							
Mr Jason Watson[1]	87,671	-	-	8,329	-	10,635	106,635
Dr Ian Dixon[3]	314,482	80,000	5,172	21,694	9,036	101,542	531,926
Mr David Parker[2]	13,916	-	-	1,301	1,465	-	16,682
Ms Elizabeth McGregor[2]	18,000	-	-	-	-	-	18,000
	434,069	80,000	5,172	31,324	10,501	112,177	673,243
Other KMP							
Dr Gregor Lichtfuss[2]	200,720	-	3,237	19,068	5,518	9,941	238,484
Dr Christopher Baldwin[4]	308,305	33,000	149,752	21,694	1,425	203,176	717,352
	509,025	33,000	152,989	40,762	6,943	213,117	955,836
	943,094	**113,000**	**158,161**	**72,086**	**17,444**	**325,294**	**1,629,079**

[1] No Bonus component to remuneration, i.e. Nil Bonus forfeited (0%) and Nil bonus paid (0%). Share based payments for Mr Jason Watson includes performance rights.

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

[3] $80,000 bonus was paid during the year (15%) and $0 bonus forfeited (0%). Share based payments for Dr Ian Dixon includes performance rights and bonus shares.

[4] $33,000 bonus was paid during the year (8%) and $0 bonus forfeited (0%). Share based payments for Dr Christopher Baldwin includes bonus shares and performance rights. Balance restated to reflect the accrual of benefits payable in accordance with the Terms & Conditions attached to performance rights issues to Chris Baldwin. An additional $72,408 tax expense and $64,211 FBT recognised in relation to the FY21 year.

Other disclosure:

The Group is a 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 biotechnology companies is common and we don't expect this to affect shareholder wealth.

Key Management Personnel Equity Holdings

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.

Fully paid ordinary shares of Exopharm Limited (Number)

30 June 2021	Balance at beginning of year	Granted as compensation	Received on exercise of options	Net change - other	Held on resignation	Balance at end of year	Balance held beneficially
Directors							
Mr Jason Watson	290,000	-	-	60,000	-	350,000	350,000
Dr Ian Dixon	27,975,294	200,000	-	-	-	28,175,294	28,175,294
Mr David Parker	1,092,200	-	-	(197,000)	(895,000)	-	-
Ms Elizabeth McGregor	-	-	-	-	-	-	-
	29,357,494	200,000	-	(137,000)	(895,000)	28,525,294	28,525,294
Other KMP							
Dr Gregor Lichtfuss	628,235	-	-	50,000	-	678,235	678,235
Dr Christopher Baldwin	-	75,000	-	839,665	-	914,665	914,665
	628,235	75,000	-	889,665	-	1,592,900	1,592,900
	29,985,729	**275,000**	**-**	**752,665**	**(895,000)**	**30,118,194**	**30,118,194**

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)**	**-**	**-**

Performance Rights of Exopharm Limited

2021	Balance at beginning of year No.	Granted as compensation No.	Vested / cancelled No.	Net other change No.	Balance at end of year No.
Directors					
Mr Jason Watson	-	90,000	(30,000)	-	60,000
Dr Ian Dixon	-	250,000	(83,333)	-	166,667
Mr David Parker	-	-	-	-	-
Ms Elizabeth McGregor	-	-	-	-	-
	-	340,000	(113,333)	-	226,667
Other KMP					
Dr Gregor Lichtfuss	-	50,000	(50,000)	-	-
Dr Christopher Baldwin	-	876,666	(876,666)	-	-
	-	926,666	(926,666)	-	-
	-	**1,266,666**	**(1,039,999)**	**-**	**226,667**

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

31 August 2022

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 2022 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

C. L. Sweeney
Director
Melbourne, 31st August 2022

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue			
Revenue from contract with customers	3	99,730	-
Government grants and tax incentives	4	4,106,722	4,191,445
Interest income		3,019	7,049
Other revenue		-	309
Expenses			
Research and development	5	(4,190,820)	(4,130,650)
Employee costs		(7,027,789)	(5,868,938)
Corporate & Administration expenses	6	(2,993,648)	(2,608,576)
Finance costs		(81,225)	(58,685)
Loss before income tax expense		**(10,084,011)**	**(8,468,046)**
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Exopharm Limited		**(10,084,011)**	**(8,468,046)**
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		6,316	-
Other Comprehensive income for the year, net of tax		6,316	-
Total Loss for the year attributable to the owners of Exopharm Limited		**(10,077,695)**	**(8,468,046)**
		Cents	**Cents**
Basic and Diluted earnings per share	8	(6.42)	(6.48)

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 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	9	4,846,540	12,723,581
Other current assets	11	4,612,478	4,475,868
Total current assets		**9,459,018**	**17,199,449**
Non-current assets			
Property, plant and equipment	12	2,219,447	2,123,465
Right-of-use assets	13	1,034,335	1,355,483
Intangibles	14	325,000	325,000
Security deposit		575,909	453,005
Total non-current assets		**4,154,691**	**4,256,953**
Total assets		**13,613,709**	**21,456,402**
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	15	728,308	909,094
Borrowings	16	2,745,050	-
Lease liabilities	17	695,920	571,184
Employee benefits	18	292,041	288,341
Total current liabilities		**4,461,319**	**1,768,619**
Non-current liabilities			
Lease liabilities	17	301,900	784,882
Employee benefits	18	42,732	36,345
Total non-current liabilities		**344,632**	**821,227**
Total liabilities		**4,805,951**	**2,589,846**
Net assets		**8,807,758**	**18,866,556**
Equity			
Issued capital	19	34,313,482	34,295,791
Reserves	20	784,634	777,112
Accumulated losses		(26,290,358)	(16,206,347)
Total equity		**8,807,758**	**18,866,556**

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 2022

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	12,755,619	-	(7,738,301)	5,017,318
Loss after income tax expense for the year	-	-	(8,468,046)	(8,468,046)
Other Comprehensive income for the year, net of tax	-	-	-	-
Total Loss for the year	**-**	**-**	**(8,468,046)**	**(8,468,046)**
Transactions with owners in their capacity as owners:				
Shares issued during the period	22,870,875	-	-	22,870,875
Share issue costs	(1,910,938)	-	-	(1,910,938)
Recognition of share-based payments	-	1,357,347	-	1,357,347
Vesting of options or rights that have been converted to ordinary shares	580,235	(580,235)	-	-
Balance at 30 June 2021	**34,295,791**	**777,112**	**(16,206,347)**	**18,866,556**

	Issued capital $	Share based payment Reserve $	Foreign Currency Trans-lation reserve $	Accum-ulated $	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**

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 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		99,130	-
Payments to suppliers and employees (inclusive of GST)		(12,593,469)	(10,217,880)
Research and development refund received		3,919,550	2,271,589
Interest received		3,921	6,148
Government grants and other income		43,313	111,512
Net cash used in operating activities	**10**	**(8,527,555)**	**(7,828,631)**
Cash flows from investing activities			
Payments for property, plant and equipment	12	(1,125,198)	(1,625,350)
Payments for security deposits		(109,948)	(188,570)
Proceeds from advances to employees		-	15,000
Net cash used in investing activities		**(1,235,146)**	**(1,798,920)**
Cash flows from financing activities			
Proceeds from issue of shares	19	-	22,000,001
Proceeds from borrowings		2,729,309	-
Share issue transaction costs		-	(840,000)
Interest and other finance costs paid		(65,480)	(57,860)
Repayment of lease liabilities		(779,854)	(494,942)
Net cash from financing activities		**1,883,975**	**20,607,199**
Net increase/(decrease) in cash and cash equivalents		(7,878,726)	10,979,648
Cash and cash equivalents at the beginning of the financial year		12,723,581	1,742,920
Effects of exchange rate changes on cash and cash equivalents		1,685	1,013
Cash and cash equivalents at the end of the financial year	**9**	**4,846,540**	**12,723,581**

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

Notes to the consolidated financial statements

30 June 2022

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. 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 $10,084,011 (2021: $8,468,046) and the Company had net cash outflows from operating activities of $8,527,555 (2021: $7,828,631). As at balance date, the Company had net current assets of $8,807,758 (2021: $18,866,556).

The ability of the company to continue as a going concern is principally dependent upon the ability of the company to secure funds by raising capital from equity markets and managing cash flow in line with the available funds. 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 be required to obtain additional capital in order to 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. In particular, given the revenue from the existing Astellas research collaboration agreement is scheduled to build in Q1 and Q2 of FY23 and revenue from new research collaboration agreements is planned in the next financial year, the company's history of raising capital to date and receipt of non-dilutive funding agreement with Radium Capital for the R&D tax incentive claim, the directors are confident of the company's ability to raise additional funds as and when they are required.

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 2021 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 and are discussed below.

(c) Statement of compliance

The financial report was authorised for issue on 26 August 2022. 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.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

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.

Note 1. Significant accounting policies (continued)

Impairment of plant and equipment and intangible assets

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

Revenue for R&D income has been recognised in the year that the income relates to, however actual receipt of the R&D Grant funds do not occur until after the Balance Date. While the R&D income is based on lodged submissions and expected revenue, there is however some uncertainty relating to the final receipt and R&D income, as final income is subject to ATO finalisation and payment between three to nine months following the balance date and as at the date of this report the FY2022 R&D income has not yet been receipted.

(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.

Note 1. Significant accounting policies (continued)

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.

(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.

Note 1. Significant accounting policies (continued)

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.

(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.

Note 1. Significant accounting policies (continued)

(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.

(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.

Note 1. Significant accounting policies (continued)

(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. At this point in time no IP assets or patents have been granted.

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 is tested for impairment annually.

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

IP asset	8 years following 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.

Note 1. Significant accounting policies (continued)

(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.

(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 2022 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.

Note 1. Significant accounting policies (continued)

(t) 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) 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.

(v) 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.

(w) 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.

(x) 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.

Note 1. Significant accounting policies (continued)

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.

(y) 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

	2022 $	2021 $
Revenue from contract with customers	99,730	-

Disaggregation of revenue from contract with customers is as follows:

	2022 $	2021 $
Geographic location		
Australia	99,730	-

	2022 $	2021 $
Timing of revenue recognition		
Services transferred over time	92,730	-
Goods transferred at a point in time	7,000	-
	99,730	**-**

Note 4. Government grants and tax incentives

	2022 $	2021 $
R&D tax incentive	4,063,409	4,080,248
ATO cash flow boost incentive	-	50,000
Export Market Development Grant	43,313	61,197
	4,106,722	**4,191,445**

Note 5. Research and development

	2022 $	2021 $
Research and development expenses	2,257,146	2,878,294
Depreciation of plant and equipment	978,313	513,422
Depreciation of right-of-use assets	677,277	450,955
Intellectual property expenses	278,084	287,979
	4,190,820	**4,130,650**

Note 6. Corporate & Administration expenses

	2022 $	2022 $
Corporate expenses	1,261,400	1,265,380
Professional and consulting fees	269,449	264,648
Insurance	210,526	168,579
Business development and marketing	290,071	330,956
Subscriptions	288,829	225,878
Travel expenses	108,519	18,760
Conference and sponsorship	80,882	62,402
Depreciation of plant and equipment	72,838	41,999
Other administrative expenses	411,134	229,974
	2,993,648	**2,608,576**

Note 7. Income tax expense

	2022 $	2022 $
(a) Income tax benefit	-	-
Aggregate income tax expense	-	-
(b) Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax expense	(10,235,951)	(8,468,046)
Tax at the statutory tax rate of 25% (2021: 26%)	(2,558,988)	(2,201,692)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Current period (loss) for which no deferred tax asset was recognised	2,558,988	2,201,692
Income tax expense	-	-

Note 7. Income tax expense (continued)

	2022 $	2021 $
Tax losses not recognised		
Losses available for offset against future taxable income	10,893,610	4,080,248
Potential tax benefit @ 25%	2,723,403	1,020,062

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:

	2022 $	2021 $
Loss after income tax attributable to the owners of Exopharm Limited	(10,084,011)	(8,468,046)
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:	157,192,229	130,599,126
	Cents	**Cents**
Basic and Diluted earnings per share	(6.42)	(6.48)

Note 9. Cash and cash equivalents

	2022 $	2021 $
Current assets		
Cash at bank	4,846,540	8,023,581
Cash on deposit	-	4,700,000
	4,846,540	**12,723,581**

Term deposits are taken for periods between one and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

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:

	2022 $	2021 $
Loss after income tax expense for the year	(10,084,011)	(8,468,046)
Adjustments for:		
Depreciation and amortisation	1,728,428	1,006,376
Research and development refund claim	(4,063,409)	(3,919,550)
R&D - advance loan	(2,729,309)	-
Share based payments	18,898	721,286
Effects of exchange rate changes on cash and cash equivalents	1,684	1,014
Change in operating assets and liabilities:		
Decrease in other current assets	3,926,800	1,759,458
Increase in accounts payable and other current liabilities	2,673,364	1,070,831
Net cash used in operating activities	**(8,527,555)**	**(7,828,631)**

Note 11. Other current assets

	2022 $	2021 $
Current assets		
R&D tax incentive receivable	4,063,409	3,919,550
GST receivable	127,891	217,060
Prepayments	311,985	297,918
Security deposits	2,482	15,439
Advances to employees	-	25,000
Accrued interest receivable	-	901
Other current assets	106,711	-
	4,612,478	**4,475,868**

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

	2022 $	2021 $
Non-current assets		
Plant and equipment - at cost	3,815,960	2,766,549
Less: Accumulated depreciation	(1,737,340)	(759,071)
	2,078,620	2,007,478
Computer equipment - at cost	247,725	157,594
Less: Accumulated depreciation	(121,547)	(58,580)
	126,178	99,014
Office equipment - at cost	36,998	29,503
Less: Accumulated depreciation	(22,349)	(12,530)
	14,649	16,973
	2,219,447	**2,123,465**

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 2020	877,225	27,219	7,245	911,689
Additions	1,643,674	107,632	15,891	1,767,197
Depreciation expense	(513,422)	(35,836)	(6,163)	(555,421)
Balance at 30 June 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**

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:

	2022 $	2021 $
Non-current assets		
Land and buildings - right-of-use	1,982,708	1,626,580
Less: Accumulated depreciation	(948,373)	(271,097)
	1,034,335	**1,355,483**

	2022 $	2021 $
Reconciliation		
Carrying value at beginning of year	1,355,483	929,267
Additions / lease inception	356,128	1,626,580
Termination of the lease	-	(749,409)
Depreciation	(677,276)	(450,955)
Carrying value at end of year	**1,034,335**	**1,355,483**

Right-of-use assets relates to laboratory and corporate offices facilities leased by the Company. A security deposit amounting to $575,909 is held by Macquarie Bank as security for the facilities. This security deposit relates to the Company's major lease commitments at The Baker Institute, Melbourne. This lease is disclosed in the accounts as a Lease Liability. The Company entered a new lease agreement on 1 January 2021 that runs for an initial 3 year period and has a rent of circa $1,357,815. On 1 August 2021, the Group signed a new lease agreement with the same lessor for a different underlying asset and has annual rent circa $575,109 and associated outgoings of $207,418 per annum. The facility is 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.

Note 14. Intangibles

	2022 $	2021 $
Non-current assets		
Intellectual property - at cost	325,000	325,000
Reconciliation		
Carrying value at beginning of year	325,000	325,000

Note 14. Intangibles (continued)

On 5 October 2018, the Company and Altnia (Licensor) signed an Intellectual Property Assignment and License Termination Deed (the 'Deed'). Altnia has agreed to assign and the Company agreed to accept the assignment of, all of Altnia's rights, titles, estate and interest in the Assignment Rights. Assignment rights includes patents, documentation, confidential material, know-how, inventions and for avoidance of doubt, all Intellectual Property Rights in the LEAP Technology, including:
(a) LEAP Ligand know-how and rights of use;
(b) All current and future applications of the LEAP Ligand; and
(c) Other technologies and discoveries made that are associated with the LEAP process.

In addition, Altnia and the Company agreed to terminate the License Agreement above subject to and in accordance with the terms and conditions of 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.

Clause 7 of the Deed, mandates that Exopharm must pay to Altnia the Reimbursement Payments, as partial reimbursement of the costs incurred by Altnia in developing and protecting the Assignment Rights, as follows:

(a) $75,000 on or before 1 September 2018 (Initial Reimbursement Payment); and
(b) $250,000 within 7 business days on which each of the following have been satisfied:
(c) ASX notifies Exopharm that it has decided to admit Exopharm to the official list of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent (Decision Letter); and
(d) The Exopharm Board resolves to do all things necessary to satisfy the conditions precedent in the Decision Letter, including issuing securities under its initial public offering.

The parties also acknowledged and agree that, prior to the commencement date of the Deed, Exopharm has made full payment of the Initial Reimbursement Payment amounting to $75,000.

The Company has fully paid the $325,000 cost of the IP asset as at 30 June 2022.

This IP asset has not been amortised as per the notes, given that the IP asset it not considered ready for use, given there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. 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 is tested for impairment annually.

Other IP: Other intellectual property, new in-licensing costs and patent costs have been expensed.

Note 15. Accounts payable and other current liabilities

	2022 $	2021 $
Current liabilities		
Trade payables	214,460	306,434
Accruals	90,691	150,297
Accrued payroll costs	-	44,191
PAYG payable	423,157	316,849
Other payables	-	91,323
	728,308	**909,094**

Note 16. Borrowings

	2022 $	2021 $
Current liabilities		
R&D Advance	2,729,304	-
Accrued interest	15,746	-
	2,745,050	**-**

During the financial year, the Group entered into a credit facility agreement with Radium Capital. 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 2022 (refer to note 11). Interest is payable at the rate of 15.00% per annum. The borrowing is carried at amortised cost.

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:

	2022 $	2021 $
As at 1 July	1,356,066	912,873
Additions	356,128	1,626,580
Accretion of interest	65,480	-
Payments	(779,854)	(494,942)
Termination of lease	-	(688,445)
As at 30 June	**997,820**	**1,356,066**

	2022 $	2021 $
Current liabilities		
Lease liability	695,920	571,184
Non-current liabilities		
Lease liability	301,900	784,882
	997,820	**1,356,066**

The following are the amounts recognised in profit or loss:

	2022 $	2021 $
Depreciation - right of use asset	677,277	450,955
Interest expense on lease liabilities	65,480	58,685
Total amount recognised in profit or loss	**742,757**	**509,640**

Note 17. Lease liabilities (continued)

The Company has provided a Security Deposit equivalent to one years rent, to be provided as security for the lease, for the main lease at The Baker. Other leases have no security provided.

During the year, the Group signed a new lease agreement with the same lessor. The new lease was for a different underlying asset and therefore the lease was accounted for as a separate lease in accordance with AASB16. The accounting for the original lease remains unchanged.

Note 18. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	292,041	288,341
Non-current liabilities		
Long service leave	42,732	36,345
	334,773	**324,686**

Note 19. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	157,211,533	157,098,200	34,313,482	34,295,791

Movement in ordinary shares	2022 No.	2021 No.	2022 $	2021 $
Balance at beginning of year	157,098,200	95,472,000	34,295,791	12,755,619
Shares issued (Tranche 1)	-	41,666,667	-	10,000,000
Shares issued (Tranche 2)	-	16,666,667	-	12,000,000
Performance shares issued	113,333	1,017,866	17,691	580,236
Share-based payments	-	2,275,000	-	870,875
Less share issue costs	-	-	-	(1,910,939)

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.

On a show of hands every holder of ordinary shares present at a meeting in person or proxy, is entitled to one vote, and 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

	2022 $	2021 $
Foreign currency reserve	6,316	-
Share-based payments reserve	778,318	777,112
	784,634	**777,112**

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:

	2022 $	2021 $
Balance at beginning of year	777,112	-
Recognition of share-based payments	18,898	1,357,347
Vesting of options or rights that have been converted to ordinary shares	(17,691)	(580,235)
Balance at end of year	**778,319**	**777,112**

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

Note 21. Financial instruments

	2022 $	2021 $
Financial assets		
Cash in bank	4,846,540	12,723,581
Other current assets	109,193	40,439
Other non-current assets	575,909	453,005
	5,531,642	**13,217,025**
Financial liabilities		
Accounts payable and other current liabilities	728,308	909,094
Lease liabilities	997,820	1,356,066
Borrowings	2,745,055	-
	4,471,183	**2,265,160**

Note 21. Financial instruments (continued)

The Group's principal financial instruments comprise of cash and cash equivalents, other receivables, security deposits, payables 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 2022, 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
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**	**-**
2021						
Non-interest bearing	-	9,287	1,143,596	-	-	-
Fixed interest rate instruments - Leases	5.03%	45,749	138,402	387,032	784,882	-
		55,036	**1,281,998**	**387,032**	**784,882**	**-**

(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 2022, the Group has cash denominated in CHF dollars (CHF $27,974 (2021: CHF$25,000)). The A$ equivalent at 30 June 2022 is $42,429 (2021: $36,076). A 5% movement in foreign exchange rates would increase the Group's loss before tax by approximately $100(2021: $727).

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:

	2022 $	2021 $
Short-term employee benefits	1,702,622	1,214,256
Post-employment benefits	89,389	72,086
Long-term benefits	7,729	17,444
Share-based payments	18,898	325,294
	1,818,638	**1,629,080**

Transactions with other related parties

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

	2022 $	2021 $
Automic	32,679	174,098
Advisory Panel Member (Dr Jennifer King)	70,000	-
Cobblestones Advisory	-	18,150
Alto Capital	-	192,000
Total	**102,679**	**384,248**

Automic Group provide company secretarial and share registry services to the Company. Ms. Elizabeth McGregor was employed by the Automic Group until 30 September 2021.

Note 23. Remuneration of auditor

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

	2022 $	2021 $
Audit services		
Audit and review of the financial statements	46,750	43,000
Other services		
Due diligence	-	3,596
Tax advice	1,360	-
	1,360	3,596
	48,110	**46,596**

Note 24. Dividends

The directors of the Company have not declared any dividend for the year ended 30 June 2022.

Note 25. Commitments and contingencies

As at 30 June 2022, 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 2022, the Company is a party to a Royalty Deed with Altnia Operations Pty Ltd (a company owned by a KMP).

As at 30 June 2022, 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.

Lease Commitments

As at 30 June 2022 the Company has a number of short-term leases and has applied the optional exemption to not capitalise these leases and instead accounted for the lease expense on a straight-line basis over the lease term. Total expense for these short term leases amounted to $107,851 as at 30 June 2022 (2021:$177,985). There were no commitments to these short-term leases as at 30 June 2022 and 30 June 2021.

Note 25. Commitments and contingencies (continued)

Employee Commitments

The Company currently has 50 employees and a current annualised total annual remuneration of $5,752,775 including statutory superannuation. The Company pays statutory superannuation on a monthly basis.

Expenditure commitments

Research and development Costs – Total committed costs for the next 12 months are approximately AU$250,000. Corporate Costs – Total committed corporate costs for the next 12 months are approximately AU$3,333,000 including the loan facilities with Radium Capital as disclosed in Note 16.

Note 26. Share-based payments

	2022 $	2021 $
Arising on issuance of shares for no consideration	-	100,875
Arising on issuance of performance rights	18,898	620,411
	18,898	**721,286**

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

[1] A total of 4,500,000 options were issued to Canary Capital Securities Pty Ltd in prior 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

Note 26. Share-based payments (continued)

Performance rights
Performance Rights were issued to Senior Management on 2 August 2021. The Performance rights issued were subsequently cancelled on 1 January 2022 as vesting conditions were not met.

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
175,000	02/08/2021	01/01/2022	$0.47	$1.00	80%	0.02%	$0.0574
175,000	02/08/2021	01/01/2022	$0.47	$1.50	80%	0.02%	$0.0094

* The Performance Rights will vest on the vesting date if the Volume Weighted Average Price (VWAP) for twenty consecutive trading days upon which the Company's shares have actually traded on ASX is as at 31 December 2021, or at any time between the issue date and 31 December 2021 (both inclusive) is at least equivalent to the hurdle price.

On 1 July 2021, 113,333 Performance Rights issued to Key Management Personnel lapsed.
On 1 January 2022, 463,334 Performance Rights issued to Key Management Personnel lapsed.

113,333 performance rights were issued in prior year and vested to ordinary shares during the financial year.

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	
	2022 $	2021 $
Loss after income tax	(9,967,917)	(8,308,114)
Total Loss	(9,967,917)	(8,308,114)

Statement of financial position

	Parent	
	2022 $	2021 $
Total current assets	9,416,590	17,166,697
Total assets	13,879,399	21,521,404
Total current liabilities	4,457,194	1,673,689
Total liabilities	4,801,826	2,494,917
Net assets	**9,077,573**	**19,026,487**
Equity		
Issued capital	34,313,482	34,295,791
Share-based payments reserve	778,318	777,112
Accumulated losses	(26,014,227)	(16,046,416)
Total equity	**9,077,573**	**19,026,487**

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 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022

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	2022 %	2021 %
ExoSuisse GmbH	Switzerland	100.00%	100.00%

Note 29. Events after the reporting period

On 28 July 2022, the Company announced a loan facility with Radium Capital providing the Company with immediate access to up to 80% of its estimated accrued Research and Development Tax Incentive (RDTI) rebate amounting to $482,602 for the period 1 May 2022 – 30 June 2022.

No matter or circumstance has arisen since 30 June 2022 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 2022

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

1. The financial statements and notes thereto, as set out on pages 33 to 65 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 2022 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

31 August 2022

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 2022, 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 2022 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 $10,084,011 for the year ended 30 June 2022 and, as of that date, the Group's net cash outflows from operating activities was $8,527,555. As stated in Note 1, these events or conditions, 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.

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 that the matters described below to be the key audit matters to be communicated in our report.

RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to Remuneration report on pages 7 to 14 and Note 22**	**How our audit addressed it**
The Group conducted material related party transactions with entities where key management personnel have interests and/or are directors. As such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: — Assessment of the Group's controls to identify and disclose related party transactions and transactions in accordance with the relevant accounting standards and the *Corporations Act 2001*; — Comparing the list of related parties provided by the directors with internal sources; — Conducting an ASIC search for external directorships held by the Board members to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed; and — Assessed whether related party transactions were conducted at arms-length by comparing the basis of the transactions to external sources. — For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the accounting and *Corporations Act 2001* requirements.

CARRYING VALUE OF INTANGIBLES	
Area of focus **Refer also to Note 14**	**How our audit addressed it**
This area is a key audit matter because there is a risk the carrying amount of intellectual property intangible asset exceed its recoverable amount and may be impaired. The Group continues to operate as a single Cash Generating Unit ("CGU") being the investment in research and development of biopharmaceutical drugs The recoverable amount of the CGU has been calculated based on fair value less costs to sell.	Our audit procedures included: — Reviewed impairment testing performed for intangible assets not yet ready for use, and ensured the recoverability of the asset continues to meet the requirements of AASB 138 *Intangible Assets*. — Assessed the fair value of the CGU by comparison to the groups market capitalisation. — We also assessed the adequacy of the Group's financial statement disclosures.
REVENUE RECOGNITION	
Area of focus **Refer also to Notes 3 and 4**	**How our audit addressed it**
Revenue is disclosed in Notes 3 and 4 to the financial statements. The group's revenue is generated through bespoke contracts related to feasibility studies along with government grants received mainly research and development incentives (R&D incentives). 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, allocation of the transaction price and satisfaction of performance obligations over time or at a point in time. R & D incentive revenue is accrued in the financial statements when it is probable the grant will be received.	Our audit procedures included: — The evaluation of revenue recognition policies for all material sources of revenue to ensure that revenue is recognised in-accordance with AASB 15 and AASB 120. — Performing a test of details of the revenue balance recognised during the period including inspection of new contracts and testing of sales cut-off. — Examining management's assessment of achievement of performance milestones relevant to material revenue contracts; and — Review of the R&D incentive claim to obtain comfort over the reasonability of expenditure claimed. — In-addition, we also examined key disclosures relating to the recognition of revenue in the financial statements.

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 2022 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.

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 2022.

William Buck
ACCOUNTANTS & ADVISORS

In our opinion, the Remuneration Report of Exopharm Limited, for the year ended 30 June 2022, 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.

William Buck.

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

C. L. Sweeney
Director
Melbourne, 31st August 2022

Shareholder information

30 June 2022

The shareholder information set out below was applicable as at 8 August 2022.

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

a) Distribution of Securities

Fully Paid Ordinary Shares Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	204	122,259	0.08%
above 1,000 up to and including 5,000	605	1,685,450	1.07%
above 5,000 up to and including 10,000	351	2,860,979	1.82%
above 10,000 up to and including 100,000	909	32,591,523	20.73%
above 100,000	229	119,951,322	76.30%
Totals	**2,298**	**157,211,533**	**100%**

Voting Rights

There are 2,298 holders of ordinary shares. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Marketable Parcel

There are 598 shareholders with less than a marketable parcel (basis price $0.16) as at 8 August 2022.

(c) On-Market Buy-Back

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

Shareholder information

30 June 2022

(d) 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	17.97%
KYRIACO BARBER PTY LTD	7,882,465	5.01%
KYRIACO BARBER PTY LTD	5,018,010	3.19%
MR PAUL JOSEPH COZZI	2,000,000	1.27%
CHARA BROTHERS PTY LTD	1,864,749	1.19%
ALBANY MECHANICAL SERVICES PTY LTD <THE DERRICK FAMILY A/C>	1,820,917	1.16%
OLDVIEW ENTERPRISES PTY LTD <THE PRIESTLEY A/C>	1,730,000	1.10%
DEVELOPMENT MANAGEMENT & CONSTRUCTIONS <THE THREE SISTERS A/C>	1,545,350	0.98%
MR RUSSELL NEIL CREAGH	1,457,000	0.93%
MR ANTHONY JOHN LOCANTRO	1,427,967	0.91%
DIXSON TRUST PTY LIMITED	1,231,000	0.78%
CITICORP NOMINEES PTY LIMITED	1,223,580	0.78%
PD GARDNER NOMINEES PTY LTD <THE PAUL GARDNER FAMILY A/C>	1,206,771	0.77%
ZESSHAM PTY LTD <ZESSHAM A/C>	1,200,000	0.76%
MR ANDREW FAY	1,200,000	0.76%
HARLUND INVESTMENTS PTY LTD <HART FAMILY SUPER FUND A/C>	1,155,000	0.73%
BOULEVARD EQUITIES PTY LTD <BOULEVARD EQUITIES A/C>	1,090,000	0.69%
MR MICHAEL FRANCIS MCMAHON & MRS SUSAN LESLEY MCMAHON <MCMAHON SUPER FUND A/C>	1,043,849	0.66%
MR GRAHAM ARTHUR ROBINSON	1,002,562	0.64%
MRS ANNA FELICIA BELTON	1,000,000	0.64%
WOLSELEY ROAD #1 PTY LIMITED <ADSALEUM FAMILY A/C>	1,000,000	0.64%
SENTINEL INVESTMENT MANAGEMENT LIMITED <RHEA INVESTMENT A/C>	1,000,000	0.64%
MR JOHN GARDNER	925,000	0.59%
Totals	**67,282,847**	**42.80%**
Total Issued Capital	**157,211,533**	**100.00%**

Shareholder information

30 June 2022

Other ASX Information

1. Corporate Governance

The Company's Corporate Governance Statement as at 30 June 2022 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 Securities Exchange.

3. Review of Operations

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

4. Restricted Securities

As at 8 August 2022, the Company had no restricted securities on issue.

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

Unlisted Options 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	-	-	-
above 100,000	7	4,500,000	100%
Totals	**7**	**4,500,000**	**100%**

Voting Rights

There are 7 holders of unlisted options. There are no voting rights attached to unlisted options.

Shareholder information

30 June 2022

Holders with 20% or More of Unquoted Equity Securities

Name	Options exercisable at $0.40, expiring 09.11.25	Options exercisable at $0.50, expiring 09.11.25	Options exercisable at $0.60, expiring 09.11.25
ANNA CARINA PTY LTD <ANNA CARINA FAMILY A/C>	27.50%	27.50%	27.50%
MR JODET DURAK	27.50%	27.50%	27.50%

Substantial holders

As at 8 August 2022, the following shareholders have disclosed a substantial shareholder notice to ASX:

Name	Number of Shares	% of Issued Capital	Date of Notice
Altnia Holdings Pty Ltd (Dixon Family A/C) (a related party of Dr Ian Dixon)	27,975,294	18.05%	30 April 2021
Carl Charalambous	15,468,243	9.84%	31 May 2022