

1. Company details

Name of entity:	Exopharm Limited
ACN:	163 765 991
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities and other income	up	>100% to	375,507
Loss from ordinary activities after tax	down	42% to	(4,422,024)
Loss for the half-year	down	42% to	(4,422,024)

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 \$4,422,024 (31 December 2021: \$7,576,333).

3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	<u>0.026</u>	<u>0.054</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. 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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report with inherent uncertainty regarding going concern is attached as part of the Half Year Financial Report.

11. Attachments

Details of attachments (if any):

The Half Year Financial Report of Exopharm Limited for the half-year ended 31 December 2022 is attached.

12. Signed



Signed _____

Date: 27 February 2023

Dr Ian Dixon
Managing Director
Melbourne



Half Year Financial Report

31 December 2022

Exopharm Limited
ACN 163 765 991

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Corporate Directory

Directors

Mr Jason Watson
Dr Ian Dixon
Mr Clarke Barlow (Appointed 22 February 2023)

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

75 Commercial Road
Melbourne VIC 3004
Email: info@exopharm.com

Share register

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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
Level 6, 400 Collins Street
Melbourne VIC 3000

Stock exchange listing

Exopharm Limited shares are listed on the Australian Securities Exchange (ASX code: EX1)

Directors' Report

31 December 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' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were Directors of Exopharm Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

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

Review of Operations

Exopharm (ASX:EX1) is a leader in advancing Genetic Medicines and other exosome-based medicines, using exosomes as a chassis for improved and non-viral drug-delivery.

Exosomes, or extracellular vesicles (EVs), are an alternative means of drug-delivery inside the body. Exosomes can be loaded with a variety of active pharmaceutical ingredients (APIs) and can be targeted to selected cell types and tissue types, improving the APIs' safety profile and providing better treatments. Exosomes can be used to deliver small molecule drugs, mRNA, DNA and other types of APIs. Exosome-based medicines could improve the treatment of many chronic or inherited medical conditions.

Exopharm has developed a tool chest of exosome technologies to solve important needs for the success of exosome medicines. The Company's exosome technologies include the LEAP manufacturing technology, LOAD API loading technologies and EVPS tropism technologies.

Exopharm is leveraging its exosome technology platform to pursue a product pipeline-driven platform strategy. Exopharm's product development programs are aimed at delivering a transformative medicine for an unmet medical need.

Exopharm's intellectual property is also available under licences or partnerships to empower others to build their pipelines around the benefits of exosome medicines. Exopharm is making its proprietary technologies available to pharmaceutical and biotechnology companies that want to harness exosome-delivery for their own products.

Exopharm seeks to build financial value from a combination of a comprehensive portfolio of key enabling exosome technologies and intellectual property, revenue from licensing and other transactions and advancing two in-house product development programmes for Cystic Fibrosis and Elastin deficiency.

With interest growing in the field of exosome delivery of APIs, Exopharm is well-positioned to become an important part of the pharmaceutical industry.

Directors' Report

31 December 2022

Principal Activities

The principal activities of Exopharm during the reporting period are:

- Exosome Technology development and validation;
- Genetic Medicine pipeline product project initiation; and
- Commercial collaborations and feasibility studies

Progress has been made in each of these areas over the reporting period.

Financial constraints have required cost-reduction later in the reporting period, and these reductions will adversely impact progress going forward.

Exopharm's investment during the period has generated important new data that validate its exosome technologies and the development of exosome medicines. The progress also underpins in-house product development and supports the discussions regarding partnership and licencing deals.

Key highlights from the Reporting Period

Exosome Technology development and validation

Exopharm's tool chest of core technologies could enable exosome medicines to become an important component of modern healthcare as a new drug-delivery chassis.

- Formed in 2013, Exopharm is a pioneer in exosome technologies for commercial use
- Exopharm has a growing suite of granted patents, extensive IP portfolio and extensive know-how and application knowledge

During the reporting period, the Exopharm team reached key developmental and validation milestones in its core exosome technology platforms.

LEAP

LEAP is Exopharm's proprietary patented commercial-scale exosome purification / manufacturing technology. During Q1 FY22/23, exosomes produced from Exopharm's master cell bank (MCB) of HEK293 cells, and purified using the Company's patented LEAP manufacturing process, were successfully tested in an externally conducted animal safety study.

The study was designed to test the toxicity and immunogenicity of naive (non-engineered) exosomes after repeated dosing in mice, an important prerequisite for later human studies using exosomes as genetic medicine drug-delivery vehicles.

Study data showed repeated dosing of Exopharm's exosomes had minimal effect on immunogenicity and toxicology in mice. These data support the clinical pursuit of our HEK EV product as a potential safe and immune-silent alternative to viral vectors (e.g., adeno-associated virus [AAV]) and lipid nanoparticles [LNPs] for drug-delivery.

LOAD

Successful API-encapsulation ("LOADing") of nucleic acid cargos into exosomes enables the development of therapeutics for multiple complex diseases and is of particular interest to potential partners seeking to overcome associated delivery challenges. Exopharm has successfully demonstrated passive and active loading techniques to LOAD several different nucleic acid species into exosomes, paving the way for our pipeline product development programs and further partnering discussions.

EVPS

Many variations of genetic medicines require the more selective delivery of a therapeutic cargo to a particular target tissue type.

Directors' Report

31 December 2022

EVPS is Exopharm's suite of exosome tissue targeting technologies.

The EVPS capability enables Exopharm to surface-engineer and fluorescently label its exosomes, attaching custom ligands that give the exosomes tropism for selected cell types. In Q2 FY22/23, in a proof of principle in vitro study, the R&D team demonstrated the successful application of EVPS, engineering exosomes to selectively target a cancer cell receptor.

In a mixed cell population, the EVPS-engineered exosomes were only taken up by cells carrying the target receptor, demonstrating EVPS functionality.

Pipeline product project initiation

Exopharm has identified two product programs for in-house development:

- CFTR as an additive mRNA gene therapy to treat Cystic Fibrosis; and
- Elastin (ELN) as an additive mRNA gene therapy to treat a variety of conditions

The CFTR program is focused on Cystic Fibrosis (CF), using exosome-based additive CF transmembrane conductance regulator (CFTR) gene therapy and nebuliser delivery to lungs for treatment. CF is the most common autosomal recessive disease with greater than 100,000 CF patients worldwide and currently has no cure.

The ELN program targets elastin deficiency in skin and lungs using exosome-based additive ELN gene therapy. Elastin deficiency is associated with multiple conditions, including cardiopulmonary diseases such as chronic obstructive pulmonary disease (COPD) and arterial stiffness, skin conditions such as scar formation and treatment, and aesthetic dermatology indications. A number of potential products may arise from this program.

Commercial Collaborations

Exopharm continues its strategy of commercialising its proprietary exosome platform technologies under potential license agreements with companies in the pharmaceutical and biomanufacturing fields.

Exopharm's partnering discussions during the reporting period expanded into companies advancing aesthetic-medicine portfolios and those advancing natural, plant-derived product portfolios.

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

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

Exopharm has also entered into a Material Transfer Agreement and associated collaborative program with Sartorius BIA Separations (Sartorius). Under this agreement, Sartorius will test the synergy of Exopharm's patented LEAP exosome purification technology with the CIM (Convective Interaction Media) monolith chromatography for improved large-scale exosome purification.

Directors' Report

31 December 2022

Sartorius BIA Separations is part of the international life science group Sartorius, a leader in bioprocessing with 15,000 employees, over US\$3 billion in 2021 sales and over 60 manufacturing and sales sites worldwide. Sartorius BIA provides specialised bioprocessing purification columns to leaders in the worldwide biomanufacturing industry, supporting the pharmaceutical and biotechnology sector.

Exopharm continues its commercial discussions with other leading pharmaceutical and biotechnology companies interested in using exosomes for their own products. Discussions with companies in the bioprocessing industry are also underway. Many partners want to see more data validating our technology.

Focus on Core Activities

In Q2 FY22/23 (announced on 20th December 2022), further cost reductions have been made, reducing the size of Exopharm's R&D and corporate team and focusing on the core activities of the Company. These changes included, downsizing the board from four to three; reducing staff numbers while retaining a core team to deliver on ongoing activities and outcomes; non-executive directors voluntarily cutting their Directors fees and Managing Director/CEO voluntarily cutting his remuneration in the interim.

These changes further focus the Company on core activities aimed at delivering increased future value and improving the cashflow runway into CY'23.

People

Exopharm has a Management Team focused on building the supporting research data and establishing industry relationships to underpin further commercial collaborations:

- **Dr Ian Dixon [Founder & CEO]** – Ian is an experienced inventor (two US patents granted in 2021), serial entrepreneur, technologist, biomedical engineering PhD (Monash University) and MBA. Exopharm was founded by Ian in 2013 and he funded it himself until listing in 2018 and has been a co-inventor of some of the main technologies. Ian is pushing to bring exosome medicines forward to solve real and important medical problems.
- **David Oxley [President – International]** – David joined Exopharm in August 2021 as President, International, and heads up our Partnering and Business Development activities as well as being a senior member of the executive team contributing to strategy, communications and vision. David brings deep experience and an extensive network in the international pharmaceutical, biotech and life sciences sectors. David completed his bachelors' studies in history at Portland State University and his master's studies in government and public health at Johns Hopkins University in the U.S.A. David is an evangelist for exosome medicines and sees them becoming an essential part of future medicines.
- **Dr Mike West [Chief Technology Officer]** – Mike holds a PhD in Chemistry and graduate qualifications in law and management. He brings 23 years of industry experience in drug development of both pre-clinical and clinical assets. Mike has worked in big-Pharma and has had C-suite roles in several biotechnology companies, bringing a wealth of experience in technology management to Exopharm. Mike is driving technology and drug development at Exopharm, to reinforce our world leading reputation. Mike has also been assisting in the selection of the pipeline products and is contributing to the development programs of those products.
- **Dr Gregor Lichtfuss [Co-Founder, Inventor & Head of Business Services (Infrastructure and Operations)]** - Gregor holds a PhD in Medicine and graduate qualifications in International Health, Entrepreneurship and Executive Leadership. Gregor brings broad experience from applied science/R&D, tech transfer, investment, business development and entrepreneurship. He co-invented and developed exosome purification technologies and manufacturing bioprocesses and realised one of the first exosome-based clinical trials. More recently, Gregor has been leading the infrastructure team focused on developing and delivering operational excellence in Facility and Lab Management (incl. Clean Room), Supply Chain, Digital/Cloud infrastructure, HR, Quality Management and Communication.

Directors' Report

31 December 2022

Review of operating results and financial conditions for the period

The loss for the Group for the half year ended 31 December 2022 amounted to \$4,422,024 (31 December 2021: \$7,576,333).

The Group had cash in bank of \$1,684,682 as at 31 December 2022 (30 June 2022: \$4,846,540)

Research and Development Refund

During the half year, the Group received a Research and Development (R&D) Tax Incentive refund of \$4,063,409 for the 2021-22 financial year.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

A further United States patent US 11,559,552 has been granted to Exopharm on 24th January 2023. This patent is entitled 'Methods and compositions for purification or isolation of microvesicles and exosomes' and adds further claims to the US patent granted in December 2021 (US11,202,805B2).

David Oxley has stepped down from the position of President – international (and his KMP role at the company) and changed into an advisory role for the Company on 3 February 2023.

As announced on 13 February 2023, ("Added Funding for 2023") the Company has signed a Mandate with Brokers Alto Capital and Canary Capital on 12 February 2023 seeking to raise around \$2.1m via the combination of a \$600,000 Convertible Note (CN), an Entitlement Issue to eligible shareholders and a placement of any shortfall by the Brokers. The funding process is subject to Board and regulatory approvals (where required), including approval by the ASX of the Rights Issue timeline under Chapter 7A of the ASX Listing Rules and completion of required documentation. It is noted that the funding is on a 'best endeavours' basis and is not underwritten, and therefore not guaranteed. Further information relating to the finalisation of the Funding under the executed Mandates will be released to the ASX in due course.

On 22 February 2023, it was announced that Dr Jennifer King had resigned from the Board and Mr Clarke Barlow joined the Board as a non-executive Director to fill the vacancy.

No other matters or circumstance has arisen since 31 December 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' Report

31 December 2022

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (Vic) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the half year ended 31 December 2022.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr Ian E Dixon
Managing Director

27 February 2023

Auditor's Independence Declaration

31 December 2022



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 half-year ended 31 December 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 Audit (Vic) Pty Ltd
ABN 59 116 151 136


C. L. Sweeney
Director
Melbourne, 27 February 2023

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Revenue			
Revenue from contract with customers	3	363,476	-
Government grants and tax initiatives	4	1,882,242	30,000
Interest income		12,031	2,868
Other income		-	20,392
Expenses			
Research and development		(1,984,441)	(2,201,370)
Employee costs		(3,320,677)	(3,839,818)
Corporate & Administration expenses		(1,183,747)	(1,551,164)
Finance costs		(190,908)	(37,241)
Loss before income tax expense		(4,422,024)	(7,576,333)
Income tax expense		-	-
Loss after income tax expense for the half-year		(4,422,024)	(7,576,333)
Other Comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		6,229	4,849
Other comprehensive income for the half-year, net of tax		6,229	4,849
Total comprehensive loss for the half-year		(4,415,795)	(7,571,484)
		Cents	Cents
Earnings per share for loss from continuing operations			
Basic and Diluted loss per share	5	(2.81)	(4.82)

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 31 December 2022

	Note	31 Dec 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents		1,684,682	4,846,540
Other current assets	6	2,084,498	4,612,478
Security deposits		575,909	-
Total current assets		4,345,089	9,459,018
Non-current assets			
Property, plant and equipment		1,777,393	2,219,447
Right-of-use assets	7	689,556	1,034,335
Intangible assets	8	304,687	325,000
Security deposit		-	575,909
Total non-current assets		2,771,636	4,154,691
Total assets		7,116,725	13,613,709
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	9	828,054	728,308
Borrowings	10	975,415	2,745,050
Lease liabilities	11	614,223	695,920
Employee benefits	12	257,803	292,041
Total current liabilities		2,675,495	4,461,319
Non-current liabilities			
Lease liabilities	11	-	301,900
Employee benefits	12	49,267	42,732
Total non-current liabilities		49,267	344,632
Total liabilities		2,724,762	4,805,951
Net assets		4,391,963	8,807,758
Equity			
Issued capital	13	34,313,482	34,313,482
Reserves	14	790,863	784,634
Accumulated losses		(30,712,382)	(26,290,358)
Total equity		4,391,963	8,807,758

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2022

	Issued capital \$	Share based payment reserves \$	Foreign currency translation reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	34,295,791	777,112	-	(16,206,347)	18,866,556
Loss after income tax expense for the half-year	-	-	-	(7,576,333)	(7,576,333)
Other comprehensive income for the half-year, net of tax	-	-	4,849	-	4,849
Total comprehensive loss for the half-year	-	-	4,849	(7,576,333)	(7,571,484)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	18,859	-	-	18,859
Vesting of options or rights that have been converted to ordinary shares	17,691	(17,691)	-	-	-
Balance at 31 December 2021	34,313,482	778,280	4,849	(23,782,680)	11,313,931
	Issued capital \$	Share based payment reserves \$	Foreign currency translation reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	34,313,482	778,318	6,316	(26,290,358)	8,807,758
Loss after income tax expense for the half-year	-	-	-	(4,422,024)	(4,422,024)
Other comprehensive income for the half-year, net of tax	-	-	6,229	-	6,229
Total comprehensive loss for the half-year	-	-	6,229	(4,422,024)	(4,415,795)
Balance at 31 December 2022	34,313,482	778,318	12,545	(30,712,382)	4,391,963

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

Consolidated statement of cash flows

For the half-year ended 31 December 2022

	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities		
Receipts from customers	363,476	-
Payments to suppliers and employees	(5,236,670)	(6,252,749)
Interest received	11,076	3,769
Other revenue	62,900	20,392
Government grants and tax incentives	4,063,409	3,949,550
Net cash used in operating activities	(735,809)	(2,279,038)
Cash flows from investing activities		
Payments for property, plant and equipment	(153,208)	(614,471)
Payments for security deposits	-	(122,904)
Net cash used in investing activities	(153,208)	(737,375)
Cash flows from financing activities		
Proceeds from borrowings	1,443,602	-
Interest and other finance costs paid	(188,723)	(31,381)
Repayment of borrowings	(3,211,906)	-
Repayment of lease liabilities	(317,734)	(312,061)
Net cash from financing activities	(2,274,761)	(343,442)
Net decrease in cash and cash equivalents	(3,163,778)	(3,359,855)
Cash and cash equivalents at the beginning of the financial half-year	4,846,540	12,723,581
Effects of exchange rate changes on cash and cash equivalents	1,920	1,439
Cash and cash equivalents at the end of the financial half-year	1,684,682	9,365,165

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

Notes to the consolidated financial statements

31 December 2022

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 \$4,422,024 (2021: \$7,576,333) and the Company had net cash outflows from operating activities of \$735,809 (2021: \$2,279,038). As at balance date, the Company had net assets of \$4,391,963 (30 June 2022: \$8,807,758).

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 revenue from new research collaboration agreements is planned in the current financial year, the cost cutting initiatives that the company has already undertaken, the company's history of raising capital to date and receipt of non-dilutive funding agreements 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.

Notes to the consolidated financial statements

31 December 2022

Note 1. Significant accounting policies (continued)

Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

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.

Useful lives of depreciable assets

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

Impairment of plant and equipment and intangible assets

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

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

Share-based payment transactions

The entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model or Monte-Carlo Simulation, 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. Refer to note 15 for further information.

Notes to the consolidated financial statements

31 December 2022

Note 1. Significant accounting policies (continued)

Research and Development Rebate

With the successful track record of the consolidated entity in obtaining the Research and Development rebate from the ATO, an estimated rebate of \$1,821,342 has been accrued as income for the half-year ended 31 December 2022 (30 June 2022: \$4,063,409). The company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

New or amended Accounting Standards and Interpretations adopted

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

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

Note 2. Operating segments

The Group only operated in one segment, being regenerative medicine and biopharmaceutical drugs development.

Note 3. Revenue from contract with customers

	31 Dec 2022 \$	31 Dec 2021 \$
Revenue from contract with customers	363,476	-
Disaggregation of revenue from contract with customers is as follows:		
	31 Dec 2022 \$	31 Dec 2021 \$
Revenue from contract with customers	363,476	-
Geographic location		
Australia	363,476	-
Timing of revenue recognition		
Services transferred over time	363,476	-

Notes to the consolidated financial statements

31 December 2022

Note 4. Government grants and tax incentives

	31 Dec 2022 \$	31 Dec 2021 \$
R&D Tax Incentive	1,821,342	-
Government incentives	60,900	30,000
	1,882,242	30,000

Note 5. Loss per share

	31 Dec 2022 \$	31 Dec 2021 \$
Loss after income tax	(4,422,024)	(7,576,333)

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	157,211,533	157,173,548

	Cents	Cents
Basic and diluted loss per share	(2.81)	(4.82)

Options on issue have an anti-dilutive effect on loss per share and therefore options are not included in the calculation of diluted loss per share.

Notes to the consolidated financial statements

31 December 2022

Note 6. Other current assets

	31 Dec 2022 \$	30 June 2022 \$
Current assets		
R&D tax incentive receivable	1,821,342	4,063,409
GST receivable	100,336	127,891
Prepayments	159,234	311,985
Security deposits	2,482	2,482
Other current assets	1,104	106,711
	2,084,498	4,612,478

R&D tax incentive receivable is based on criteria of eligible expenditure set out by AusIndustry. The R&D tax incentive receivable balance at 30 June 2022 amounting to \$4,063,409 was received in November 2022. At the reporting date, none of the receivables are past due or impaired.

Note 7. Right-of-use assets

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

	31 Dec 2022 \$	30 June 2022 \$
Non-current assets		
Land and buildings - right-of-use	1,982,708	1,982,708
Less: Accumulated depreciation	(1,293,152)	(948,373)
	689,556	1,034,335
	31 Dec 2022 \$	30 June 2022 \$
Reconciliation		
Balance at beginning of reporting period	1,034,335	1,355,483
Additions/ lease inception	-	356,128
Depreciation for the reporting period	(344,779)	(677,276)
Carrying value at end of reporting period	689,556	1,034,335

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.

Notes to the consolidated financial statements

31 December 2022

Note 8. Intangible assets

	31 Dec 2022 \$	30 June 2022 \$
Non-current assets		
Intellectual property - at cost	325,000	325,000
Less: Accumulated amortisation	(20,313)	-
	304,687	325,000

During the period, the IP asset started to generate income and was assessed to be available for use. The IP asset was amortised over the useful life of 8 years.

Note 9. Accounts payable and other current liabilities

	31 Dec 2022 \$	30 June 2022 \$
Current liabilities		
Trade payables	405,107	214,460
Accruals	177,272	90,691
Accrued payroll costs	245,675	-
PAYG payable	-	423,157
	828,054	728,308

Notes to the consolidated financial statements

31 December 2022

Note 10. Borrowings

	31 Dec 2022 \$	30 June 2022 \$
Current liabilities		
R&D Loan	961,000	2,729,304
Accrued interest	14,415	15,746
	975,415	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 for the financial year 30 June 2023. Interest is payable at the rate of 14.00% per annum. The borrowing is carried at amortised cost.

Note 11. Lease liabilities

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

	31 Dec 2022 \$	30 June 2022 \$
Opening balance	997,820	1,356,066
Additions	-	356,128
Accretion of interest	19,405	65,480
Payments	(403,002)	(779,854)
Closing Balance	614,223	997,820

	31 Dec 2022 \$	30 June 2022 \$
Current liabilities		
Lease liability	614,223	695,920
Non-current liabilities		
Lease liability	-	301,900
	614,223	997,820

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.

Notes to the consolidated financial statements

31 December 2022

Note 12. Employee benefits

	31 Dec 2022 \$	30 June 2022 \$
Current liabilities		
Annual leave	257,803	292,041
Non-current liabilities		
Long service leave	49,267	42,732
	307,070	334,773

Note 13. Issued capital

	31 Dec 2022 Shares	30 June 2022 Shares	31 Dec 2022 \$	30 June 2022 \$
Ordinary shares - fully paid	157,211,533	157,211,533	34,313,482	34,313,482

Movement of issued share capital	31 Dec 2022 Number	30 June 2022 Number	31 Dec 2022 \$	30 June 2022 \$
Balance at beginning of period/year	157,211,533	157,098,200	34,313,482	34,295,791
Performance shares issued	-	113,333	-	17,691
Balance at end of period/year	157,211,533	157,211,533	34,313,482	34,313,482

Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

Notes to the consolidated financial statements

31 December 2022

Note 14. Reserves

	31 Dec 2022 \$	30 June 2022 \$
Foreign currency reserve	12,545	6,316
Share-based payments reserve	778,318	778,318
	790,863	784,634

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.

Share-based payments reserve

	31 Dec 2022 \$	30 June 2022 \$
Balance at beginning of reporting period	778,318	777,111
Recognition of share-based payments	-	18,898
Vesting of options or rights that have been converted to ordinary shares	-	(17,691)
Balance at the end of the reporting period	778,318	778,318

Note 15. Share-based payments

There were 2,650,000 performance rights granted to senior management during the half-year ended 31 December 2022. On 20 December 2022, the performance rights lapsed because the vesting conditions were not met. No share based payments expense has been recorded in relation to the performance rights for the period as the probability of these performance rights vesting is 0%.

Notes to the consolidated financial statements

31 December 2022

Note 16. Dividends

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

Note 17. Commitments and Contingencies

As at 31 December 2022, the Group 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 31 December 2022, the Company is a party to a Royalty Deed with Altnia Operations Pty Ltd (a company owned by a KMP).

As at 31 December 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.

Contingencies

The Group has no material contingent liabilities as at 31 December 2022 (31 December 2021: \$nil).

Note 18. Events after the reporting period

A further United States patent US 11,559,552 has been granted to Exopharm on 24th January 2023. This patent is entitled 'Methods and compositions for purification or isolation of microvesicles and exosomes' and adds further claims to the US patent granted in December 2021 (US11,202,805B2).

David Oxley has stepped down from the position of President – international (and his KMP role at the company) and changed into an advisory role for the Company on 3 February 2023.

As announced on 13 February 2023, ("Added Funding for 2023") the Company has signed a Mandate with Brokers Alto Capital and Canary Capital on 12 February 2023 seeking to raise around \$2.1m via the combination of a \$600,000 Convertible Note (CN), an Entitlement Issue to eligible shareholders and a placement of any shortfall by the Brokers. The funding process is subject to Board and regulatory approvals (where required), including approval by the ASX of the Rights Issue timeline under Chapter 7A of the ASX Listing Rules and completion of required documentation. It is noted that the funding is on a 'best endeavours' basis and is not underwritten, and therefore not guaranteed. Further information relating to the finalisation of the Funding under the executed Mandates will be released to the ASX in due course.

On 22 February 2023, it was announced that Dr Jennifer King had resigned from the Board and Mr Clarke Barlow joined the Board as a non-executive Director to fill the vacancy.

No other matters or circumstance has arisen since 31 December 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

31 December 2022

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

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr Ian Dixon
Managing Director

27 February 2023

Independent Auditor's Review Report

31 December 2022



Exopharm Limited Independent auditor's review report

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of Exopharm Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Exopharm Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the half-year financial report, which indicates that the consolidated entity has a net loss after tax of \$4,422,024 and net cash outflows from operations of \$735,809 for the half year ended 31 December 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Independent Auditor's Review Report

31 December 2022

WilliamBuck
ACCOUNTANTS & ADVISORS

Responsibility of Management for the Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 Decemebr 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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



C. L. Sweeney
Director
Melbourne, 27 February 2023

