

Cleo Diagnostics Limited

ABN 13 655 717 169

Interim Report - 31 December 2022

Cleo Diagnostics Limited

Contents

31 December 2022

Directors' report	1
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	22
Independent auditor's report to the members of Cleo Diagnostics Limited	23

Cleo Diagnostics Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on Cleo Diagnostics Limited (referred to hereafter as the 'company') at the end of, or during, the period from 1 July 2022 to 31 December 2022. These financial statements have been prepared for management purposes. They are not required by the Corporations Act to be prepared or lodged with the Australian Securities and Investments Commission.

Directors

The following persons were directors of Cleo Diagnostics Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

A W Wing (appointed 11 August 2022)
R Allman (appointed 10 October 2022)
A N Stephens (appointed 19 September 2022)
T W Jobling (appointed 21 December 2022)
P F Gowans (resigned 11 August 2022)
L J Nolan (appointed 2 March 2023)

Principal activities

During period since establishment, the principal activities of the company has been signing an exclusive licence agreement with The Hudson Institute of Medical Research ("Hudson") to licence patented technology to the company and to establish activities to commercialise the licenced technology. The licence agreement was signed on 29 August 2022

Information on directors

Name:	Adrien Wing
Title:	Non-Executive Chairman
Qualifications:	Bachelor of Business (Accountancy) from Royal Melbourne Institute of Technology (RMIT) and Certified Practicing Accountant (CPA)
Experience and expertise:	Mr Wing began his professional career practising in the audit and corporate advisory divisions of a chartered accounting firm. Mr Wing has over 25 years' experience in the corporate sector with the large portion of this experience in ASX small caps, lead in IPO transactions and post listing reverse takeovers and acquisitions across a range of industry sectors and jurisdictions. Mr Wing has a strong pedigree in the life sciences industry being the founder of Rhythm Biosciences Ltd and bringing that entity to the ASX in 2017. Mr Wing currently serves as an officer/director on the following company boards: <ul style="list-style-type: none">• New Age Exploration Ltd (ASX: NAE) - Director and Joint Company Secretary;• Red Sky Energy Ltd (ASX: ROG) – Director and Joint Company Secretary;• Sparc Technologies Ltd (ASX: SPN) – Company Secretary; and• Osmond Resources Ltd (ASX: OSM) – Company Secretary.
Special responsibilities:	None

Name:	Richard Allman
Title:	Managing Director and Chief Executive Officer
Qualifications:	PhD (Microbiology) from The University of Wales
Experience and expertise:	Dr. Allman has over 30 years of scientific research leadership and innovation with a clear focus on commercialisation. He has wide experience in research leadership, innovation management, and intellectual property strategy, covering oncology, diagnostics, and product development. Previously Chief Scientific Officer at Genetic Technologies Limited (ASX: GTG). Recent successes include the strategic design and management of a second-generation breast cancer risk assessment test from concept to commercial launch and a similar test for colorectal cancer. These tests have now been NATA accredited and comprise the first commercially available polygenic risk tests in Australia. More recently he has supervised the underlying R&D, translation, regulatory approval, patent filing and commercial launch of a Covid-19 disease severity test within a 12-month period. This strategy has been utilised to expedite a product development pipeline covering 6 major cancers, cardiovascular disease and type-2 diabetes which were commercially launched in March 2022.
Special responsibilities:	None

Cleo Diagnostics Limited
Directors' report
31 December 2022

Name:	Andrew Stephens
Title:	Chief Science Officer and Executive Director
Qualifications:	PhD (Molecular Biology) from Monash University Australia
Experience and expertise:	Dr Stephens is a career research scientist with 20 years' experience in molecular and cellular biology research. He has broad experience in academic and pre-clinical research, and a strong focus on translation and the commercialisation of research findings. He established and leads an independent academic research company at the Hudson Institute of Medical Research, investigating mechanisms that contribute to the formation, progression and dissemination of high grade, serous epithelial ovarian cancers. Since 2010, his research has focused on biomarker identification and development in ovarian cancer, and the development of therapeutic strategies to improve patient outcomes. He is also actively involved across the biotech sector, with appointments to the scientific advisory for Invion Pty Ltd and AMTBio Pty Ltd. Dr Stephens has over 60 academic publications and numerous patents (pending and provisional) in the cancer therapeutic and diagnostic space.
Special responsibilities:	None
Name:	T Jobling
Title:	Non-Executive Director
Qualifications:	Bachelor of Medicine, Bachelor of Surgery, Fellow of the Royal College of Obstetricians and Gynaecologists, Fellow of Royal Australian and New Zealand College of Obstetricians and Gynaecologists, Certificate of Gynaecological Oncology, Doctor of Medicine, Head of Gynaecological Oncology at Monash Health
Experience and expertise:	Professor Thomas Jobling is Director of Gynaecologic Oncology at Monash Medical Centre. He graduated from Monash University in 1980 and did his post graduate sub specialist training in Gynaecologic Oncology in London at the Royal Marsden and St Bartholomews hospitals. Professor Jobling has subsequently been elected as a Member of the Society of Pelvic Surgeons and is also Founder of the Ovarian Cancer Research Foundation (1999). He previously held the Chairmen position of Ovarian Cancer Research Foundation Board. His major interests are in radical surgery for ovarian cancer and the application of robotic surgery for gynaecological malignancy. Professor Jobling is an active member of a Research Team in bio marker detection and proteomics in ovarian cancer. He is involved as a collaborative investigator on a number of international clinical trials and is a Member of the Australia and New Zealand Gynaecologic Oncology Company, the Australian Society of Gynaecologic Oncology, the Victorian Cooperative Oncology Company and the International Society of Gynaecological Cancer.
Special responsibilities:	Lead Medical Advisor
Name:	L J Nolan
Title:	Non-Executive Director
Qualifications:	Master of Arts from Melbourne University, Bachelor of Arts with Honours from Melbourne University, Alumni of the Advanced Management Programme at Harvard University
Experience and expertise:	Ms Nolan is a Non-Executive Director and was most recently the CEO of the Ovarian Cancer Research Foundation. She has a wealth of knowledge and experience across the public sector and Not-For-Profit environments. Prior to joining the Ovarian Cancer Research Foundation, she was selected as the first female CEO of the Country Fire Authority, one of the world's largest volunteer-based emergency services organisations. She also spent 32 years with Victoria Police, reaching the rank of Deputy Commissioner. Much of her role there was dedicated to reductions in crime rates and the continual improvement of service delivery in the face of complex and competing crime, disorder, and service demands. She was awarded the Australian Police Medal in 2009. Ms Nolan is also the Chair of BankVic and a director on the Boards at Alkira Box Hill Inc. and the Melbourne Archdiocese of Catholic Schools (MACS). She has a Master of Arts and a Bachelor of Arts (Honours) from Melbourne University and is an alum of the Advanced Management Programme at Harvard University.
Special responsibilities:	None

Cleo Diagnostics Limited
Directors' report
31 December 2022

Name: P Gowans
Title: Former Director (resigned 29 August 2022)
Qualifications: Bachelor of Law/Arts LaTrobe University
Experience and expertise: Patrick is partner of Melbourne law firm QR Lawyers Pty Ltd, with over 15 years' experience in corporate and commercial law with a focus on equity capital markets, ASX compliance and corporate governance.
Special responsibilities: None

Company secretary

Pauline Moffatt was appointed Company Secretary on 18 September 2022. She is a Graduate of the Australian Institute of Company Directors (GAICD) and a Fellow FGIA FCG of the Governance Institute of Australia. Ms Moffatt has a wealth of experience, providing specialised accounting and company secretary services to public companies for over 20 years. Ms Moffatt currently serves as Joint Company Secretary of New Age Exploration Ltd (ASX: NAE) and Red Sky Energy Limited (ASX:ROG). Ms Moffatt has served as Company Secretary on various ASX listed companies, including Rhythm Biosciences Limited (ASX: RHY, Joint Company Secretary) and Cue Energy Resources Limited (ASX: CUE, Joint Company Secretary).

Meetings of directors

The company held no Board meetings but did circulate 9 circular resolutions during the period.

Dividends

The company did not pay any dividends during the period.

Review of operations

The loss for the company after providing for income tax amounted to \$421,412 (30 June 2022: \$43,931).

During the period the company secured seed funding of \$1,510,000 in the form of convertible notes, with further convertible notes to the value of \$3,750 issued in relation to founder convertible notes. The founder notes were converted to equity in December 2022. Funds were used to pay the licence fees in accordance with a licence agreement with Hudson Institute of Medical Research. Completion of the licence agreement occurred on 29 August 2022.

The company also repaid loan funds of \$200,000 that had been received during the June 2022 period to pay a deposit on an agreement with Hudson Institute of Medical Research to secure licencing of pharmaceutical goods for commercialisation.

Significant changes in the state of affairs

During the period convertible notes with a face value of \$45,000 were converted to equity, with 45 million fully paid ordinary shares issued in exchange.

A further \$1.51 million in convertible notes was raised to fund pre-IPO operations. These notes mature at the earlier of a change in control of the company, an Initial Public Offering ("IPO") or Reverse Takeover ("RTO") or twelve months from the date of agreement of the convertible note. Conversion terms are dependent upon the event that triggers conversion.

In July 2022 the company submitted its first Application for In-Principle Advice regarding a proposed listing to the ASX, which was returned with requests for further information. Subsequently the company submitted a further In-Principle Advice application and has commenced the process to complete an IPO in 2023.

There were no other significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period

Subsequent to the year-end an additional \$90,000 of convertible notes were issued on the same terms as those already on issue.

The company's application for In-Principle Advice to the ASX as accepted, and the company has commenced the process of preparing a prospectus for an IPO.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

The company is seeking to list its shares on the ASX via an IPO or other listing in accordance with the conditions provided in the licence agreement with Hudson.

Cleo Diagnostics Limited
Directors' report
31 December 2022

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

At the date of this report 4,500,000 share options have been granted to employees and executives, subject to vesting periods. No share options have yet been issued.

Shares issued on the exercise of options

No shares in the company were issued during the period ended 31 December 2022 and up to the date of this report on the exercise of options granted.

Indemnity and insurance of officers

The company has not indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company has not paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out immediately after this directors' report.

Auditor

BDO Audit Pty Ltd was appointed as company auditor in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Adrien Wing
Director

19 May 2023
Melbourne

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF CLEO DIAGNOSTICS LIMITED

As lead auditor of Cleo Diagnostics Limited for the period ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



David Garvey
Director

BDO Audit Pty Ltd

Melbourne, 19 May 2023

Cleo Diagnostics Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 December 2022 \$	30 November 2021 to 30 June 2022 \$
Other income		5,386	-
Expenses			
Employee benefits expense		(234,096)	-
Professional fees		(44,399)	(19,791)
Research and development expenditure		(82,165)	(23,306)
Depreciation and amortisation		(16,667)	-
Finance expense		(6,082)	(834)
Other expenses		(43,389)	-
		<hr/>	<hr/>
Loss before income tax expense		(421,412)	(43,931)
Income tax expense	3	<hr/> -	<hr/> -
Loss after income tax expense for the period attributable to the company		(421,412)	(43,931)
Other comprehensive income			
Other comprehensive income for the period, net of tax		<hr/> -	<hr/> -
Total comprehensive income for the period attributable to the company		<hr/> (421,412)	<hr/> (43,931)
		\$	\$
Earnings per share for profit from continuing operations attributable to the owners of Cleo Diagnostics Limited			
Basic loss per share	20	(0.05)	(43,931.00)
Diluted loss per share	20	(0.05)	(43,931.00)

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

Cleo Diagnostics Limited
Statement of financial position
As at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	4	802,531	42,751
Trade and other receivables		<u>6,249</u>	<u>859</u>
Total current assets		<u>808,780</u>	<u>43,610</u>
Non-current assets			
Intangible assets	5	483,333	200,000
Property plant and equipment		<u>4,679</u>	<u>-</u>
Total non-current assets		<u>488,012</u>	<u>200,000</u>
Total assets		<u>1,296,792</u>	<u>243,610</u>
Liabilities			
Current liabilities			
Trade and other payables	6	117,235	45,206
Borrowings	7	-	200,000
Convertible loan note	8	1,510,000	40,680
Employee benefits		<u>643</u>	<u>-</u>
Total current liabilities		<u>1,627,878</u>	<u>285,886</u>
Total liabilities		<u>1,627,878</u>	<u>285,886</u>
Net liabilities		<u>(331,086)</u>	<u>(42,276)</u>
Equity			
Issued capital	9	46,531	1
Reserves	10	87,726	1,654
Accumulated losses		<u>(465,343)</u>	<u>(43,931)</u>
Total equity		<u>(331,086)</u>	<u>(42,276)</u>

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

Cleo Diagnostics Limited
Statement of changes in equity
For the half year ended 31 December 2022

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$
Balance at 30 November 2021	-	-	-	-
Loss after income tax expense for the period	-	-	(43,931)	(43,931)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(43,931)	(43,931)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1	-	-	1
Issue of convertible notes	-	1,654	-	1,654
Balance at 30 June 2022	<u>1</u>	<u>1,654</u>	<u>(43,931)</u>	<u>(42,276)</u>
	Issued capital	Reserve	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2022	1	1,654	(43,931)	(42,276)
Loss after income tax expense for the period	-	-	(421,412)	(421,412)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(421,412)	(421,412)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Conversion of convertible notes	46,530	(1,654)	-	44,876
Share based payments	-	87,726	-	87,726
Balance at 31 December 2022	<u>46,531</u>	<u>87,726</u>	<u>(465,343)</u>	<u>(331,086)</u>

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

Cleo Diagnostics Limited
Statement of cash flows
For the half-year ended 31 December 2022

	Note	31 December 2022 \$	30 November 2021 to 30 June 2022 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(249,041)	-
Net cash used in operating activities	18	(249,041)	-
Cash flows from investing activities			
Payments for intangible asset		(300,000)	(200,000)
Payments for property plant and equipment		(4,679)	-
Net cash used in investing activities		(304,679)	(200,000)
Cash flows from financing activities			
Proceeds from issue of shares		-	1
Proceeds from borrowings		-	200,000
Repayment of borrowings		(200,000)	-
Issue of convertible notes		1,513,500	41,500
Sundry loans		-	1,250
Net cash from financing activities		1,313,500	242,751
Net increase in cash and cash equivalents		759,780	42,751
Cash and cash equivalents at the beginning of the financial period		42,751	-
Cash and cash equivalents at the end of the financial period	4	802,531	42,751

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

General information

The financial statements are presented in Australian dollars, which is Cleo Diagnostics Limited's functional and presentation currency.

Cleo Diagnostics Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 2, 480 Collins Street
MELBOURNE VIC 3000

These financial statements have been prepared for management purposes. They are not required by the Corporations Act to be prepared or lodged with the Australian Securities and Investments Commission. The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 May 2023. The directors have the power to amend and reissue the financial statements.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

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 reporting period.

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

Basis of preparation

These financial statements have been prepared for management in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities and represent the period from 1 July 2022 to 31 December 2022. The comparative figures represent the period from incorporation on 30 November 2021 to 30 June 2022.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

During the period the company incurred losses of \$421,412. As at 31 December 2022 the Company has cash assets of \$802,531 and net current liabilities of \$819,098. During the period the Company has entered into a licence agreement and has committed to developing the licenced technology upon completion of the agreement. The Company will therefore require additional cash resources to meet its obligations within the next 12 months.

The Company is currently preparing to launch an Initial Public Offering ("IPO") on the ASX in order to raise additional capital. The funds will be used to meet its statutory obligations and to develop the licenced technology and secure patents in multiple jurisdictions.

At the year-end there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, should the IPO not be completed. The directors are confident that the IPO will complete and have accordingly prepared the financial statements on a going concern basis. Accordingly, they do not include any adjustments relating to recoverability or classification of assets, or the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.

Note 1. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed in the relevant notes to the accounts. At 31 December 2022 the following significant judgement, estimates or assumptions impacted the results or financial position of the company:

- Income tax (see note 3)
- Intangible assets (life of asset, treatment of future payments due under the licence agreement and impairment, see note 5)
- convertible notes (see note 8)
- share based payments (see note 10)

Note 3. Income tax expense

	31 December 2022 \$	30 November 2021 to 30 June 2022 \$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
	-	-
Aggregate income tax expense	-	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(421,412)	(43,931)
Tax at the statutory tax rate of 25%	(105,353)	(10,983)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Interest on convertible notes	174	208
Share based payments	21,931	-
Deferred taxes arising from temporary differences not recognised	13,078	-
Tax losses not recognized	70,170	10,775
	-	-
Income tax expense	-	-
Tax losses not recognized	80,945	10,775

Accounting policy

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Critical accounting judgements, estimates and assumptions

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.

Note 4. Current assets - cash and cash equivalents

	31 December 2022 \$	30 June 2022 \$
Cash at bank	<u>802,531</u>	<u>42,751</u>

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 5. Non-current assets – intangible assets

	31 December 2022 \$	30 June 2022 \$
Deposit paid on licence agreement	-	200,000
Licence acquired	500,000	-
Licence – accumulated amortisation	<u>(16,667)</u>	<u>-</u>
	<u>483,333</u>	<u>200,000</u>

The company entered into a licence agreement with Hudson Institute of Medical Research that was signed on 29 August 2022.

The licence agreement gave the company exclusive rights to commercialise the licenced technology. In the period ended 30 June 2022 the company had paid a deposit pursuant to the licence agreement, paying the remaining \$300,000 upon signing of the agreement. The agreement also provides for the company to issue shares to the value of \$1,500,000 to be issued on the lodgement of a prospectus to list the company (the shares will be cancelled by way of a selective buy back if the listing is insufficient) as well as a payment of \$1,500,000 in cash or issued capital upon achievement of the first regulatory approval for the first product in the USA (FDA), Australia (TGA), Europe (CE) or Japan (PMDA). The agreement also included a royalty of 3% on net sales, plus levies on any sub-licensing agreements entered into by the company.

Accounting policy

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The company will expense the \$1,500,000 payment via issued capital upon lodgement of a prospectus by the company. The \$1,500,000 payment in cash or issued capital upon achievement of the first product and all royalty and sub-licence levies will be expensed as incurred.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Costs associated with patents are expensed as they are incurred.

Note 5. Non-current assets – intangible assets (continued)

Estimated useful life of intangible assets

The company determines the estimated useful life of its intangible assets, and the related amortisation charge. The useful life could change significantly as a result of technical innovations or other events. Amortisation charges will increase where the useful life is less than the previous estimate of useful life or where there is technical obsolescence.

The company's acquired licence will be amortised over its useful life from the commencement of the licence agreement with Hudson, in accordance with the terms of the licence agreement. The useful life is estimated based on the sales life cycle and patent period of the licenced technology. No sales have yet been made, or patents secured. The current estimated useful life of the licenced technology is 10 years and will be reassessed as the licenced technology is developed.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are consolidated together to form a cash-generating unit.

Critical accounting judgements, estimates and assumptions

Other intangible assets comprise licenced technologies and are stated at cost less accumulated amortisation. The consolidated entity assesses impairment of non-financial indefinite life intangible assets and intangible assets not yet ready for use at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Estimated Useful Lives of Other Intangible Assets

The company determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 6. Current liabilities - trade and other payables

	31 December 2022 \$	30 June 2022 \$
Trade and other payables	<u>117,235</u>	<u>45,206</u>

Accounting policy

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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Note 7. Current liabilities - borrowings

	31 December 2022 \$	30 June 2022 \$
Loans	-	200,000

Loans provided were interest free and short term in nature, and payable on demand.

Accounting policy

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.

Note 8. Current liabilities – convertible notes

	31 December 2022 \$	30 June 2022 \$
Convertible loan notes	1,510,000	40,680

The initial convertible note funding in place at 30 June 2022 formed the Founder convertible notes, which were converted to issued shares during the period to 31 December 2022.

During the current period the company issued 1.51 million convertible loan notes at an issue price of \$1 per note. The notes are convertible into ordinary shares at the earlier of a change in control of the company or completion of an Initial Public Offer ("IPO") or Reverse Takeover ("RTO"). On issue, the loan notes will mature 12 months from issue with the company being able to extend for 12 months whereby conversion terms change. The convertible note is a non-derivative financial instrument accounted for at amortised cost.

The interest expensed for the year is calculated by applying an effective interest rate of 15 per cent to the liability component since the loan notes were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the reporting at 31 December 2022 represents the effective interest rate less interest paid to that date.

Accounting policy

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

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Note 8. Current liabilities – convertible notes (continued)

Compound instruments

The component parts of convertible loan notes issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognised in equity will be transferred to issued capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings/accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Critical accounting judgements, estimates and assumptions

The company's convertible notes were issued with no interest charge. In order to determine the capital and interest portion of the convertible notes an interest rate have been estimated using the APRA and RBA estimated Business Finance Lending Rates. The rate applied is 15%. Had the estimate varied the split between capital and interest would vary, and result in a different interest charge, liability and convertible note reserve value.

Note 9. Equity - issued capital

	31 December 2022 \$	30 June 2022 \$
Ordinary shares - fully paid	46,531	1

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Issued on incorporation	30 November 2021	1	\$1.00	1
Balance as at 30 June 2022		1		1
Conversion of convertible notes (liability portion)	30 November 2022	45,000,000		46,530
Balance	31 December 2022	45,000,001		46,531

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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.

Accounting policy

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.

Capital risk management

The company is preparing to apply to have its shares listed. The current capital structure is subject to change and development to ensure its goals of securing funding to satisfy licence agreements, and further develop the intangible assets.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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Note 10. Equity – reserves

	31 December 2022 \$	30 June 2022 \$
Convertible note reserve	-	1,654
Share based payments reserve	87,726	-
	<u>87,726</u>	<u>1,654</u>

Convertible note reserve

This reserve represents the equity component of convertible debt instruments (see note 8). During the period the reserve was transferred to issued capital.

(a) Share based payments reserve

The reserve is used to record the value of equity instruments issued to employees, directors and service providers as part of their remuneration, and other parties as part of compensation for their services.

<i>Movement in reserve</i>	31 December 2022 \$	30 June 2022 \$
Opening balance	-	-
Share based payments – services received	87,726	-
	<u>87,726</u>	<u>-</u>
Closing balance	<u>87,726</u>	<u>-</u>

During the year the company employed executives and employees and included long-term incentives in the terms and conditions, with share options provided. The options vest over periods stipulated within the contracts and only have service conditions attached to them.

Option valuation inputs

The options issued during the current year were valued using the following inputs:

Input	KMP options 1	KMP Options 2	Employee options
Number of options	2,500,000	1,500,000	500,000
Grant date	30 August 2022	13 September 2022*	12 September 2022
Expiry date ¹	31 July 2026	31 July 2026	31 July 2026
Share price at grant date ²	\$0.20	\$0.20	\$0.20
Exercise price	\$0.30	\$0.30	\$0.30
Risk free rate	3.29%	3.19%	3.18%
Volatility ³	80%	80%	80%
Fair value at grant date \$/option	\$0.0872	\$0.0870	\$0.0870
Expense recorded in period	\$48,742	\$25,872	\$13,112

¹ Expiry date is 3 years from issue, upon the company IPO.

² Share price taken as IPO price as this is the price shares will next be offered at.

³ Volatility is estimated based on volatility of a number of listed companies in the from the same sector of a comparable size

Significant accounting policy – share-based payments

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.

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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Note 10. Equity – reserves (continued)

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 recognized 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 recognized in profit or loss for the year.

Conditions

Share options do not entitle the holder to participate in dividends and the proceeds on winding up of the Company. The holder is not entitled to vote at General Meetings. During the year no share options were converted to ordinary shares. The expense relates to options granted in employment agreements although as at 1 December 2022 no share options have been issued as yet.

Critical accounting judgements, estimates and assumptions

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 either the Binomial or 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.

Note 11. Equity – dividends

No dividends were paid during the financial period.

Accounting policy

Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Note 12. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the company.

	31 December 2022	30 June 2022 \$
<i>Audit services – BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>25,000</u>	<u>10,000</u>

Note 13. Contingent assets

The company had no contingent assets at 31 December 2022.

Note 14. Contingent liabilities

The company had no contingent liabilities at 31 December 2022.

Note 15. Commitments

Under the licence agreement the company is required to pay to Hudson:

- \$1.5 million through the issue of ordinary shares upon the issue of a prospectus for an Initial Public Offer to list the company shares on the ASX.
- the sum of \$1.5million or issue to Hudson shares to the value of \$1.5 million upon the achievement of the first regulatory milestone, being the first regulatory approval achieved by the company.

The company will expense these payments if they are incurred.

Note 16. Events after the reporting period

Subsequent to the year-end an additional \$90,000 of convertible notes were issued on the same terms as those already on issue.

The company's application for In-Principle Advice to the ASX as accepted, and the company has commenced the process of preparing a prospectus for an IPO.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 17. Related party transactions

Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	31 December 2022 \$	30 June 2022 \$
Short-term employee benefits	108,088	-
Post-employment benefits	7,615	-
Share-based payments	74,614	-
	<u>190,317</u>	<u>-</u>

Transactions with related parties

The following transactions occurred with related parties:

	31 December 2022 \$	30 June 2022 \$
<i>Services received</i>		
QR Lawyers	<u>-</u>	<u>8,591</u>

Patrick Gowans is a partner of QR Lawyers and was a director of the company during the time services were provided by QR Lawyers. At 30 June 2022 the costs recorded above were outstanding. All services were provided and charged at normal commercial rates.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 December 2022 \$	30 June 2022 \$
<i>Loans to/from related parties</i>		
Loan from Wing Investment Holdings	<u>-</u>	<u>100,000</u>

Terms and conditions

The loan was provided at zero interest and is at call. The loan was repaid during the period.

Note 18. Reconciliation of loss after income tax to net cash used in operating activities

	31 December 2022 \$	30 June 2022 \$
Loss after income tax expense for the period	(421,412)	(43,931)
Non-cash interest	696	834
Share based payment	87,726	-
Depreciation and amortisation	16,667	-
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(5,390)	(859)
Increase in trade and other payables	72,029	43,956
Increase in employee benefits	643	-
Net cash used in operating activities	<u>(249,041)</u>	<u>-</u>

Note 19. Fair values

The carrying values of the company's financial assets and liabilities approximate their fair values.

Note 20. Loss per share

	31 December 2022 \$	30 June 2022 \$
Basic loss per share	(0.05)	(43,931.00)
Diluted loss per share	(0.05)	(43,931.00)
	\$	\$
Net loss from continuing operations attributable to the owners of Golden Mile Resources Limited used in calculation of basic and diluted earnings per share	(421,412)	(43,931)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Basic		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	7,826,088	1
Diluted		
Weighted average number of ordinary shares and convertible redeemable cumulative preference shares outstanding and performance rights during the year used in the calculation of basic loss per share	7,826,088	1

The Company made losses during the year. Consequently, any outstanding equity instruments would not have a dilutive in effect.

Cleo Diagnostics Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2022 and of its performance for the financial period 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.

On behalf of the directors



Adrien Wing
Director

19 May 2023
Melbourne

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INDEPENDENT AUDITOR'S REPORT

To the members of Cleo Diagnostics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cleo Diagnostics Limited (the Entity), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 31 December 2022, and its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards.

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 Entity in accordance with 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 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information obtained prior to the date of this auditor's report, 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 are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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

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 the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'David Garvey', is written over a faint, stylized 'BDO' logo.

David Garvey
Director

Melbourne, 19 May 2023