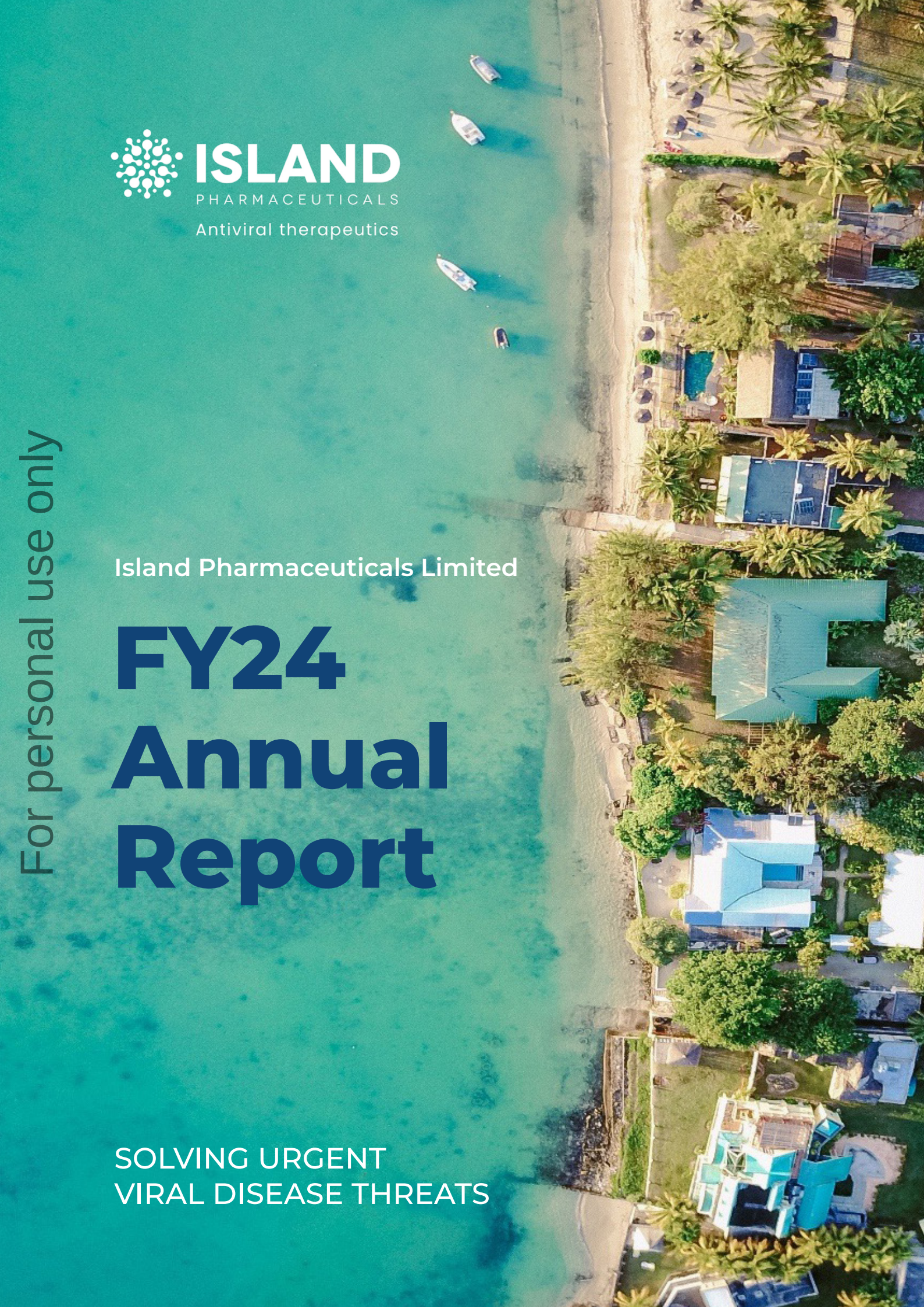
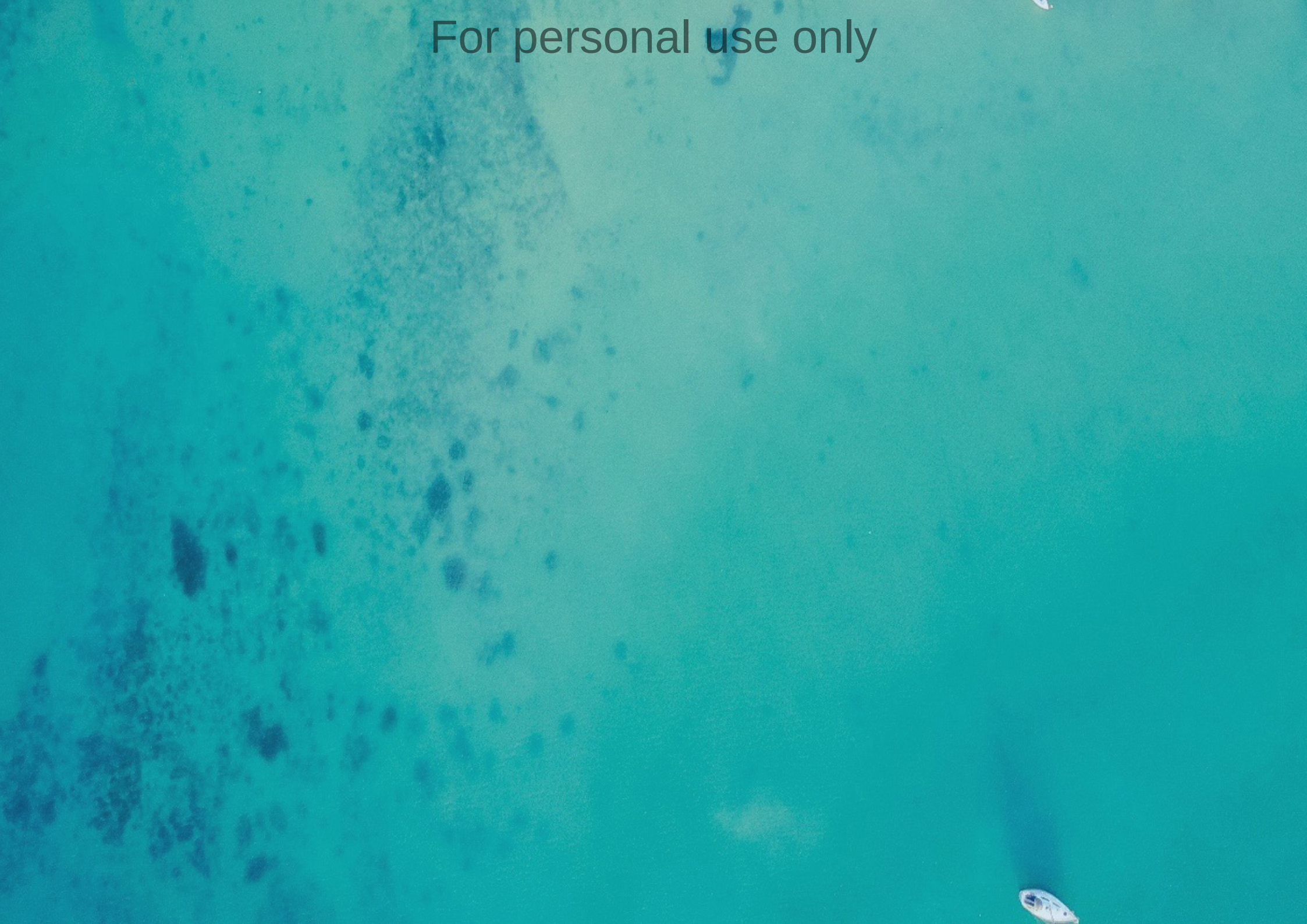
ISLAND
PHARMACEUTICALS
Antiviral therapeutics

Island Pharmaceuticals Limited

FY24 Annual Report

SOLVING URGENT
VIRAL DISEASE THREATS





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Corporate directory

Directors	Dr Paul MacLeman - Executive Chairman Dr David Foster - Executive Director Dr David Brookes - Non-Executive Director Mr Albert Hansen - Non-Executive Director Dr Anna Lavelle - Non-Executive Director
Company secretary	Cameron Jones (appointed 1 December 2023)
Registered office	c/- Bio101 Financial Advisory Pty Ltd Suite 201 697 Burke Road Camberwell, VIC 3124
Principal place of business	Suite 201 697 Burke Road Camberwell VIC 3124
Share register	Automic Pty Ltd Deutsche Bank, Tower Level 5 126 Phillip Street Sydney NSW 2000
Auditor	William Buck Level 20 181 William Street Melbourne VIC 3000
Solicitors	K&L Gates Level 25 525 Collins Street Melbourne Victoria 3000
Stock exchange listing	Island Pharmaceuticals Limited shares are listed on the Australian Securities Exchange (ASX code: ILA) and also has quoted options listed on the Australian Securities Exchange (ASX code: ILAO)
Website	www.islandpharmaceuticals.com

Chair and CEO Letter

Dear fellow shareholders,

It is our pleasure to welcome you to Island's FY24 annual report.

FY24 was, by all measures, a significant year for your Company. As part of advancing our mission to provide drugs that can address urgent viral diseases and public health or biosecurity threats, we made major strides in the development of our lead drug candidate, ISLA-101 through the period.

The completion of our FDA-requested Single Ascending Dose study was a highlight and one that brought with it many advantages.

On 16 April 2024 and 22 April 2024, we reported that the 24 subject Single Ascending Dose study of ISLA-101 in healthy volunteers had successfully achieved all study outcomes relating to safety and dosing. This was a critical moment, enabling the company to move forward with next steps for the ISLA-101 clinical program.

New in silico dose modelling was reported on 3 June 2024, after the Single Ascending Dose study close. While we initially expected to need to take a multiple ascending dose approach with our coming Phase 2a/b study, the modelled data confirmed, with specificity, the single level, multi-day dose of ISLA-101 which is predicted to achieve an effective blood concentration above those shown to be effective at arresting the dengue virus in prior pre-clinical studies. These findings inform our coming Phase 2a/b trial, by reducing the patient dosing variables and making the study design more streamlined and informative. The data gives us great confidence that we've designed a Phase 2a/b trial that should be successful.

The new modelling data was compiled, together with a broader data package, then submitted in July 2024 (post period) to the US Food and Drug Administration (US FDA). The package included a final study report from the Single Ascending Dose study, as well as an updated Investigator Brochure and revised clinical protocol for the Phase 2 challenge study.

In July, the protocol revisions were submitted to the IND and as per regulation, in August we were able to begin the study. The revisions enable us to both eliminate the originally planned dose escalation strategy and reorganise the study into two arms - one prophylactic and one therapeutic. Accordingly, the trial was renamed PROTECT (PROphylactic and TrEatment Challenge Trial) and given Phase 2a/b status. With IRB approval already received from SUNY Upstate Medical Hospital in Syracuse, NY, at the time of writing, we were ready to begin advertising to healthy volunteers to seek participation in the study. Enrolment will commence as soon as we secure IRB approval from the US Army, with prophylactic dosing anticipated in late September.

Notably and thanks to the efforts of both our team and our colleagues at SUNY Upstate Institute For Global Health and Translational Science, we also achieved important non-dilutive funding and reworked our trial costs, enabling our trial budget to be significantly reduced. The cost of the full Phase 2a/b study is now expected to cost approximately US$1.08 million. This is a very modest budget for such an important and highly informative study.

With the 2024 Olympic Games in Paris, France, drawing millions of athletes, spectators and tourists from around the world, the influx of visitors to this large-scale global event raised concerns about the potential spread of various illnesses, including mosquito-borne ones. As reports of mosquito-borne viral diseases like this continue to dominate headlines, ISLA-101 emerges as a critical component in addressing this pressing global health concern, emphasizing the importance of advancing its development to tackle the growing threat of mosquito-borne diseases.

Chair and CEO Letter

To draw upon an Olympic analogy, at the time of writing, we were right at the starting blocks for our ISLA-101 Phase 2a/b trial in dengue fever. We are excited about what FY25 will see us deliver and are acutely focused on driving next steps in the clinical program, which we expect will see us reporting a full read out of Phase 2a prophylactic data well before the end of this calendar year. The Phase 2b cohort will begin being dosed in January 2025.

At the time of writing, we had also just announced that we had signed a non-binding agreement for an option to acquire BioCryst's galidesivir molecule, which aligns with our pipeline expansion strategy and synergises with our ISLA-101 program. It also may bring us the opportunity to quickly move a drug into market under the FDA's Animal Rule. This would provide a new medical countermeasure for epidemic and weaponizable viruses like Ebola, which pose significant and unmet biosecurity risks.

We are grateful for the continued dedication and support of our team and Board, who worked strategically and carefully to drive our corporate and clinical strategy forward on all fronts through FY24.

We also extend our sincere appreciation to our shareholders for their ongoing support and trust in Island Pharmaceuticals. With significant clinical and corporate milestones achieved, and a strengthened financial position thanks to our recently completed rights offering, we are now poised to accelerate the development of ISLA-101 into its next phase of clinical trials and simultaneously elevate the company's profile among investors, partners, and the global healthcare community, driving long-term value creation and success.

We look forward to keeping you across our progress.

Sincerely,

Dr Paul MacLeman
Executive Chair

Dr David Foster
CEO & Managing Director

Directors' Report

30 June 2024

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Island Pharmaceuticals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

Dr Paul MacLeman

MBA, DVM, Grad Dip Eng, Cert Eng, FAICD

Executive Chairman

Appointed 25 May 2020

Paul has over 25 years' experience across all phases of the life sciences sector. With a career-spanning veterinary practice, pharmaceutical development and manufacturing, biotechnology, diagnostics and finance, Paul has expertise in capital management, business development, technology commercialisation and sales & marketing globally. Paul has launched products using both in-house and outsourced sales staff in Australia and the US. He has founded life sciences start-ups in the biologics area and worked in investment banking focusing on the analysis and financing of technology companies. Paul has previously served as Chairman, Director or Managing Director/CEO of several VC funded, ASX, NASDAQ, CSE and TSX listed companies and has driven a number of IPOs. Paul Chaired the Industry Review Committee for the Pharmaceutical Manufacturing National Training Package for the AISC for approximately 10 years prior to the establishment of the new Jobs and Skills Councils and advises the new formed Manufacturing Industry Skills Alliance. He also serves on a number of other NFP and government advisory groups. He is currently Chair or Non-Executive Director of a number of ASX listed, public unlisted and private companies, including Non-Executive Chair of AdAlta Limited (ASX:1AD).

Former ASX-listed directorships (last 3 years): N/A

Dr David Foster

PhD, JD , MAICD

Managing Director

Appointed 1 October 2020

David brings more than 25 years of experience working with early stage pharmaceutical and biotechnology companies developing a variety of therapeutics including biologics and small molecules. He has represented pharmaceutical, biotherapeutic and diagnostic companies, while in private legal practice and served as intellectual property counsel at Medarex, a mid-sized biotherapeutics company. David co-founded a technology focused law firm, a life science trade association and multiple private biotechnology companies. He is a board member of BioNTX and is a Member of the Australian Institute of Company Directors. He holds a Ph.D. from The University of Texas Southwestern Medical Center and J.D. from Golden Gate University School of Law.

Former ASX-listed directorships (last 3 years): N/A

Directors' Report

30 June 2024

Dr Anna Lavelle

AM FTSE PhD GAICD

Non-Executive Director

Appointed 1 October 2020

Dr Lavelle is an experienced Non-Executive Director serving for over 25 years on the boards of not for profit, government and for profit entities. As Executive Director or Non-Executive Director she has a lengthy track record in healthcare delivery, technology development and negotiating government policy. Dr Lavelle has a PhD in Genetics from the University of Melbourne and is a Graduate of the Australian Institute of Company Directors (GAICD). Dr Lavelle is a Fellow of the Academy of Technology Science and Engineering (FTSE) and is also a Fellow of the Leadership Victoria Program. In 2015 Nature Scientific America, World View ranked Dr Lavelle in the global top 100 “World Visionaries” in biotechnology. Dr Lavelle was the only Australian to be named.

From 2005 to 2016, Dr Lavelle was the CEO of AusBiotech; the national industry association for the biotechnology, pharmaceutical and medical devices sectors. Dr Lavelle is now serving on several boards including - Independent Chair, Medicines Australia Ltd, Independent Chair, Avatar Brokers Pty Ltd, Non-Executive Director, Hemideina Pty Ltd, Non-Executive Director, Cyban Pty Ltd, Non-Executive Director, OMICO Ltd.

In June 2023, Dr Lavelle was awarded an AM for services to science and innovation.

Former ASX-listed directorships (last 3 years): N/A

Mr Albert Hansen

BA, MBA

Non-Executive Director

Appointed 1 October 2020

Mr Hansen is currently President of KESA Partners, Inc. (“KESA”) a family investment office focused on seed investing in life science-related startups. KESA provides capital and strategic management to its portfolio companies. From 2001 to 2012, Mr. Hansen was a Managing Director of Signet Healthcare Partners, a growth capital private equity firm focused on emerging life science companies. Mr. Hansen has over 30 years of private equity investment experience, with almost 20 years in the life sciences/pharmaceutical field. He is a former Chairman and interim CEO of Questcor Pharmaceuticals, Inc (later acquired for US$5 billion), a former Chairman and interim CEO of Cedarburg Pharmaceuticals Inc. (acquired for US$40 million) and former Chairman of Molecular Medicine Corporation (acquired for US$24 million). KESA Partners, Inc acquired a failing company, Bioserv Corporation, for US$25,000 from NextPharma, Ltd in November 2012. This company was later sold for $3.6 million. He has also been a director of over ten other private companies. Prior to Signet, Mr. Hansen was a principal of Darby Overseas, since acquired by Franklin Templeton. He was also a political appointee as Director of Corporate Finance at the U.S. Treasury Department in 1992. Earlier in his career, Mr. Hansen was an investment banker with Dillon Read & Co. Inc., focusing on mergers and acquisitions. He was also an investment banker at E.F. Hutton & Co. Mr. Hansen also served in the U.S. Army as an Infantry and Special Forces officer. Mr. Hansen has a B.A. from Princeton University and an M.B.A. (with distinction) from the Wharton School, University of Pennsylvania.

Former ASX-listed directorships (last 3 years): N/A

Directors' Report

30 June 2024

Dr David Brookes

MBBS, FACRRM, FAICD

Non-Executive Director

Appointed 1 October 2020

Dr D Brookes has extensive experience in the health and biotechnology industries, having been involved in the sector since the late 1990's, and maintaining roles as biotechnology industry consultant and as a clinician. Dr Brookes has held Board positions in a number of ASX listed biotechnology companies, including as Chair of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE:PKI) in June 2018. He is currently the executive Chair of ASX listed Anatara Lifesciences Limited (ASX:ANR) (appointed 24 June 2022) and non-executive Chair of ASX Listed Dominion Minerals Limited (ASX:DLM) (appointed 30 July 2020). He is currently a non-executive Director of ASX listed TALi Digital Ltd (ASX:TD1) (appointed 29 June 2020). Dr Brookes graduated MBBS (Adelaide) and is a FACRRM (Fellow of the Australian College of Rural & Remote Medicine) and a FAICD (Fellow of the Australian Institute of Company Directors).

Former ASX-listed directorships (last 3 years): N/A

Company secretary

Cameron Jones

Appointed 1 December 2023

Cameron is a finance executive and Chartered Accountant with experience as CFO and Company Secretary of ASX Listed and Venture Capital healthcare companies. Cameron has supported companies through IPOs, capital raising and M&A transactions. Cameron is the Managing Director of Bio101, a financial services firm providing transaction advisory, CFO, accounting, tax and company secretarial services specialising in the healthcare and life science sectors.

Stephanie Vipond

Appointed 1 December 2023, resigned 19 July 2024.

Stephanie is an experienced Company Secretary who works at Bio101, providing company secretarial services to a number of ASX listed and unlisted entities in the healthcare sector. Prior to that, Stephanie worked at legal firms including Hounslow Lawyers. Stephanie holds a Bachelor of Commerce and Law and a Certificate in Governance Practice.

Post reporting period, Stephanie temporarily stepped down to take maternity leave, leaving Cameron Jones to continue as Company Secretary.

Peter Webse

Appointed 3 July 2020, resigned 1 December 2023.

Directors' Report

30 June 2024

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Dr Paul MacLeman	14	14	1	1	2	2
Dr David Foster	14	14	-	-	-	-
Dr David Brookes	13	14	1	1	2	2
Mr Albert Hansen	14	14	1	1	-	-
Dr Anna Lavelle	13	14	1	1	2	2

[1] Represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Paul MacLeman	118,626	33,572
David Foster	5,823,872	520,588
Anna Lavelle	140,000	40,000
David Brookes	140,000	40,000
Albert Hansen	11,104,034	166,667

Principal activities

Island Pharmaceuticals Limited is a mid-clinical stage biotechnology company listed on the Australian Securities Exchange (ASX: ILA). Island is a drug research and repurposing company. The Group strategy is to repurpose small molecules as antivirals, which may allow for rapid development of treatments or preventative measures against emerging viruses.

Dividends

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

Directors' Report

30 June 2024

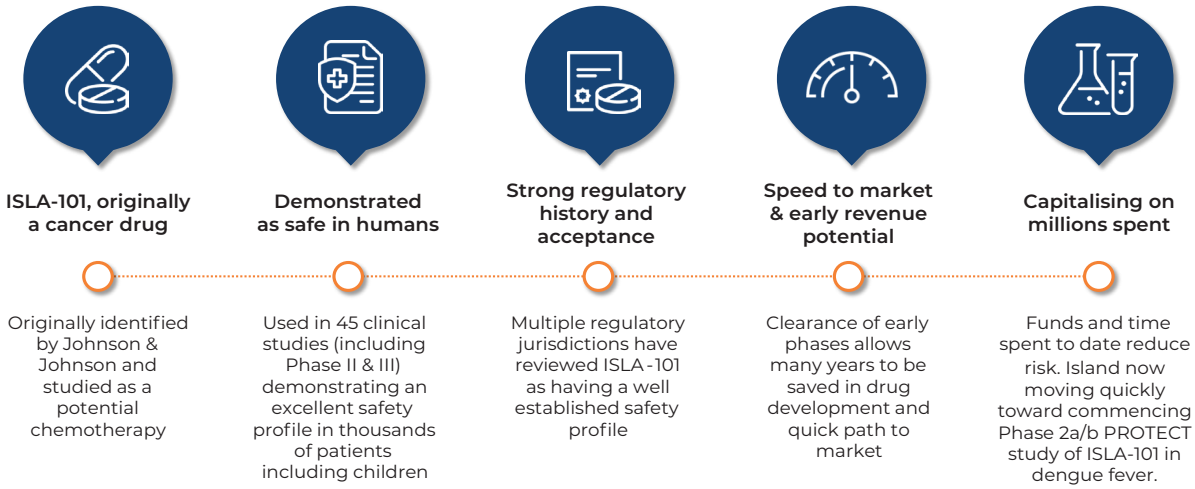
Operating and financial review

Group strategy

Island (ASX: ILA) is focused on areas of unmet need for drugs that can address urgent viral diseases and public health or biosecurity threats. Our lead asset is ISLA-101, a drug with a well-established safety profile, being repurposed for the prevention and treatment of dengue fever and other mosquito (or vector) borne diseases. If ISLA-101 achieves FDA approval, and certain other criteria are met, Island may be eligible to obtain a "Priority Review Voucher" at the time of FDA approval. This means that as well as getting approval to manufacture and sell ISLA-101, the Priority Review Voucher (PRV) could permit Island to expedite the FDA approval process for a new drug or sell the PRV in a secondary market.

Under its pipeline expansion strategy, post reporting period, Island executed a term-sheet for the potential acquisition of BioCryst's antiviral molecule, galidesivir. The asset has shown antiviral activity against a range of viruses for which there are currently unmet medical needs, including Ebola, Zika and Marburg viruses. Galidesivir has successfully completed Phase 1 safety studies which offers Island another clinically advanced, Priority Review Voucher-eligible asset which fits in with the other key criteria in the pipeline expansion strategy.

ISLA-101, a repurposed drug



About ISLA-101

ISLA-101 was identified from a library of small molecules that demonstrated activity in screens for molecules which prevented cells being infected by the dengue virus. Upon identifying the exciting biological activity against these viruses, it was recognised that ISLA-101 was a known compound, fenretinide, and had a well-known safety profile and substantial clinical history for use in indications such as cancer, among others. However, it has never been approved for these indications.

ISLA-101 has subsequently been shown to have activity against all four strains of dengue virus as well as other flaviviruses such as Zika virus, West Nile virus, and Yellow Fever virus as well as Chikungunya virus.

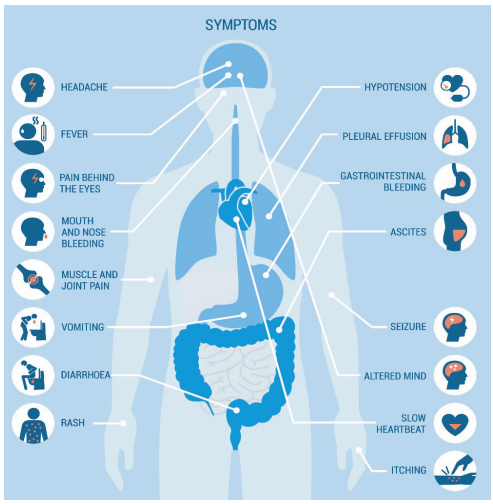
In view of the activity against these arboviruses, a patent portfolio was established by Monash University. This was then licensed to Island. The portfolio is directed to methods of treating or preventing infections by these viruses with fenretinide.

Directors' Report

30 June 2024

Why target dengue first?

Significant unmet need for disease with increasing incidence



- Significant unmet need (3.9 billion people at risk)
- Increasing spread to US, EU and Australia
- ISLA-101 has both therapeutic and prophylactic potential
- Strong animal and human model results
- First claim then springboard into other viral diseases
- Priority Review Voucher eligibility

Our strategy

Since listing on the ASX in April 2021, Island has been focused on executing on the delivery of its ISLA-101 clinical program.

Island is able to leverage the significant pre-existing body of clinical data for ISLA-101 as well as data from previously filed INDs in the US and the Single Ascending Dose study completed through the reporting period, to support its path into the clinic for its PROTECT trial.

In addition, under a Cooperative Research and Development Agreement (CRADA) with the US Army, Island has access to data from an earlier Phase 1 challenge study which was conducted by Walter Reed Army Institute of Research and SUNY. The data from that study will form the basis of the ISLA-101 Phase 2a/b study control data. This will save Island substantial time and money that would otherwise be required to obtain this control data and will provide Island unprecedented ability to monitor dengue symptoms as well as biomarkers associated with infection.

As announced post period, on 7 August 2024, the PROTECT trial replaces Island's earlier PEACH study. PROTECT is a Phase 2a/b, randomised, double blind, placebo-controlled study for the PROphylactic and TrEatment Challenge Trial model. Up to 14 subjects will participate in the clinical trial which now contains both a prophylactic (preventative) and therapeutic arm, split across two cohorts.

Significant milestones achieved during the reporting period

ISLA-101 PROTECT study preparation progresses

Throughout the financial year, Island made significant strides in preparing for its PROTECT clinical trial, with key activities focused around the successful completion of a 24 patient Phase I, Single Ascending Dose study and regulatory communications to confirm next steps, which culminated in the announcement of the PROTECT trial on 7 August 2024.

Directors' Report

30 June 2024

On 7 July 2023, Island announced that US$1.3m (A$2.0M) of a Congressionally Directed Medical Research Programs (CDMRP) grant had been awarded to The Research Foundation for the State University of New York (SUNY)[1] for additional laboratory testing and data analysis during the upcoming PEACH study highlighting the importance of the Island program to the US Department of Defense (DoD) and CDMRP. While the additional analysis is considered scientifically important information owned by Island, it is not essential at this point in time and these funds were not being prioritised to Island's direct clinical trial costs. On 8 May 2024, Island announced that SUNY had agreed with the DoD that US$625k (A$962k) from the grant could be fully allocated to directly pay towards clinical trial costs incurred by Island. This provides a major reduction to Island's overall costs for the ISLA-101 Phase 2a/b trial.

In September 2023, Island announced that a key patent relating to ISLA-101 had been granted by the United States Patent and Trademark Office (USPTO). The U.S. patent grant entitled "Method of Viral Inhibition" was issued under U.S. Patent No 11,752,116 and has an expiration date of 16 April 2034, subject to additional Patent Term Adjustment. Claims of the patent are directed to methods of preventing or delaying the onset of one or more symptoms of dengue fever, by administering ISLA-101 to the subject during a period of time in which the subject is at risk of exposure.

On 25 September 2023, Island executed an agreement, appointing Beyond Drug Development (Beyond) as Contract Research Organisation (CRO) to run the FDA requested ISLA-101 Single Ascending Dose study. Through the same agreement, Island appointed Scientia Clinical Research as the trial site for the study.

In November 2023, Island was granted a key patent by IP Australia for ISLA-101. The Australian patent grant entitled "Method of Viral Inhibition" was issued under Australian Patent No 2021205039 and has an expiration date of 16 April 2034. Claims of the patent are directed to the method of treating or preventing flavivirus infections by administering ISLA-101.

On 7 November 2023, Island announced it had received Human Research Ethics Committee (HREC) approval to commence its Single Ascending Dose study for ISLA-101. Screening of subjects commenced on 13 November 2023. Island dosed the first cohort in its Single Ascending Dose study for ISLA-101 on 24 November 2023, then the second cohort on 12 December 2023. Later in December 2023, Island received approval to commence dosing the third cohort, following a review of results from the second cohort by the Safety Review committee who concluded that the second dose was safe and well-tolerated.

In January 2024, Island announced that all eight subjects in the third cohort of its Single Ascending Dosing study had been dosed with ISLA-101. In the following month, Island announced that it had completed dosing all subjects and that the Safety Review Committee confirmed each fasted dose was safe and well tolerated, based on a review of available preliminary data.

Island announced in February 2024 that it was conducting a capital raising of up to approximately $1.95 million (before costs) through a fully underwritten, non-renounceable rights issue to eligible shareholders, with funds raised being used to analyse the dosing from the Phase 1 Single Ascending Dose study and to prepare for the Phase 2 clinical trial. The Entitlement Offer was well supported by existing shareholders and all Directors on the Board of Island, with the Company accepting applications for approximately 8.92 million New Shares (accompanied by approximately 8.92 million New Options) at the Issue Price of $0.06 per New Share (including after allocation of Entitlements under the Rights Issue Offer and the issue of Additional Securities under the Top-Up Facility).

[1] *Total Grant of US$2.97M to The Research Foundation for the State University of New York (SUNY)2 of which US$1.3M relates to Island Pharmaceuticals' program. This work was supported by the Office of the Assistant Secretary of Defense for Health Affairs and the Defense Health Agency J9, Research and Development Directorate, or the U.S. Army Medical Research Acquisition Activity at the U.S. Army Medical Research and Development Command, in the amount of $2,972,343 through the Peer Reviewed Medical Research Program under Award No. W81XWH-21-1-0800. Opinions, interpretations, conclusions and recommendations are those of the author and are not necessarily endorsed by the Department of Defense.*

Directors' Report

30 June 2024

In April 2024, Island announced confirmatory pharmacokinetic (PK) data from the ISLA-101 Single Ascending Dose study, where data analysis showed required levels of ISLA-101 concentration in the blood were observed after only a single dose, achieving the study's purpose and reinforcing the Board's strong confidence in ISLA-101. Consistent with prior experiences, dosing ISLA-101 with a high fat meal increased bioavailability 2-3x. This will allow Island to proceed with a lower dose than otherwise anticipated in the PROTECT study, while achieving appropriate blood concentrations. Reinforcing the drug's safety and tolerability, in this study, Island dosed at levels equivalent to up to 10x the dose given in successful preclinical animal models (adjusted for differences in species). This data critical underpins the dosing regimen for the coming PROTECT Phase 2a/b clinical study, which will include dosing across multiple days.

As noted earlier, in May 2024, US$625k (A$962K) in funding had been reallocated to directly support Island's planned ISLA-101 Phase 2a/b human clinical trial in dengue fever. The reallocation will significantly reduce Island's capital requirements for the study.

New in silico dose modelling was reported on 3 June 2024, after the Single Ascending Dose study close. While Island initially expected to need to take a multiple ascending dose approach with the coming Phase 2a/b study, the modelled data confirmed with specificity the single level, multi-day dose of ISLA-101 which is predicted to achieve effective blood concentrations above those shown to be effective at arresting the dengue virus in prior pre-clinical studies. These findings inform the coming Phase 2a/b PROTECT trial, by reducing the subject dosing variables and making the study design more streamlined and informative. The data gives Island great confidence that the Phase 2a/b trial design should be successful.

The new modelling data was compiled, together with a broader data package, then submitted on 3 July 2024 (post period) to the US Food and Drug Administration (US FDA). The package included a final study report from the Single Ascending Dose study, as well as an updated Investigator Brochure and revised clinical protocol for the Phase 2 challenge study.

Post reporting period, Island executed a term sheet with global, NASDAQ-listed company BioCryst Pharmaceuticals, Inc (Nasdaq: BCRX) for an option to acquire galidesivir. Under the non-binding term sheet, Island will pay BioCryst a US$50,000 fee for the option to acquire the galidesivir program with a 12 month expiry upon execution of an Option Agreement. Given the option has a 12 month expiry, no immediate additional funding is required to service this program.

On 11 July 2024, US time, Island Pharmaceuticals' Clinical Team was pleased to conduct a site initiation visit Upstate Medical University (pictured below). This is a significant milestone as we move towards the start of Island's Phase 2 clinical trial for our lead candidate, ISLA-101. Island is delighted to be working with the highly professional team at SUNY Upstate Institute For Global Health and Translational Science.

Post period, on 7 August 2024, Island announced that the protocol has been submitted to the IND and as per regulation we are able to begin the study. Study structured as a Phase 2a/b and will include a prophylactic and therapeutic arm split across two cohorts. Phase 2a/b clinical trial to be renamed PROTECT: short for PROphylactic and TrEatment Challenge Trial. IRB approval received from SUNY Upstate Medical Hospital in Syracuse, NY enabling advertisement to healthy volunteers to commence. Enrolment will begin as soon as IRB approval is received from the US Army with prophylactic dosing expected in late September. In the same communication, Island announced that trial costs reduced substantially with the full Phase 2a/b now expected to cost around US$1.08m.

Expanding our pipeline

As part of Island's strategy of bringing forward new drugs that can address urgent viral diseases and public health or biosecurity threats, through FY24, a committee reviewed several potential assets for in-licensing.

In reviewing new molecules to complement ISLA-101, Island was looking at known small molecules with clinical history. They would be in mid/late stage clinical trials or have access to other abbreviated regulatory routes. They would also have open US FDA Investigational New Drug applications; be validated by US govt/ military funding support and be Priority Review Voucher eligible.

Strategic Checklist

- ❑ Clinical history
- ❑ Small molecule
- ❑ Proven preclinical anti-viral activity
- ❑ Eligible for Priority Review Vouchers
- ❑ National and military preparedness need
- ❑ Probable/confirmed non-dilutive funding to support: military, civilian, NGO
- ❑ Fit for our management and advisory team: mid/late stage drug development, extensive medical countermeasures experience and roles

Post period, on 7 July 2024, Island announced a non-binding term sheet with global, NASDAQ-listed company BioCryst Pharmaceuticals, Inc. (Nasdaq: BCRX), for an option to acquire galidesivir. Galidesivir is a clinical stage antiviral molecule that exhibits antiviral activity against several different viruses, including Ebola, Zika and Marburg, for which there are no currently approved therapies[2].

In a follow-on asset to ISLA-101, Island was seeking an anti-viral small molecule that already had proven mode of action, compelling pre-clinical data and human safety data with Priority Review Voucher eligibility. It needed to fit in with our interest in supporting national and military preparedness, with potential to attract non-dilutive grant funding in support of pre-clinical and clinical studies. The Board feels that galidesivir meets each of these criteria.

[2] *https://ir.biocryst.com/news-releases/news-release-details/biocryst-completes-phase-1-clinical-trial-galidesivir | https://ir.biocryst.com/news-releases/news-release-details/biocryst-provides-update-galidesivir-program*

Under the non-binding term sheet, Island will pay BioCryst a US$50,000 fee for the option to acquire the galidesivir program with a 12 month expiry upon execution of an Option Agreement. Given the option has a 12 month expiry, no immediate additional funding is required to service this program. Island and BioCyrst have not yet executed a definitive option agreement and neither party is bound until the option agreement is executed. The Company is targeting execution of a binding agreement in the quarter ending 30 September 2024.

With demonstrated pre-clinical activity against viruses such as Ebola, Marburg and Zika, among others, galidesivir stands poised to provide a solution to variety of devastating, potentially weaponizable diseases.

Given the high fatality rates for Ebola in particular, should we exercise the option to acquire the asset, we would be investigating all opportunities to take galidesivir to the point of approval including the potential use of the FDA's Animal Rule.

The following statement is an excerpt from the FDA website which describes the Animal Rule[3].

"The regulations commonly known as the Animal Rule (21 CFR 314.600-650 for drugs; 21 CFR 601.90-95 for biologics; effective July 1, 2002) allow for the approval of drugs and licensure of biological products when human efficacy studies are not ethical and field trials to study the effectiveness of drugs or biological products are not feasible. The use of the Animal Rule is intended for drugs and biological products developed to reduce or prevent serious or life-threatening conditions caused by exposure to lethal or permanently disabling toxic chemical, biological, radiological, or nuclear substances. Under the Animal Rule, efficacy is established based on adequate and well-controlled studies in animal models of the human disease or condition of interest, and safety is evaluated under the preexisting requirements for drugs and biological products. Products approved under the Animal Rule are critical for the protection of public health and national security."

Scientific Advisory Board progress

The Group has an experienced and esteemed Scientific Advisory Board (SAB) with significant relevant experience in drug development.

Island continues to explore pipeline development opportunities, with plans to capitalise on information from the previously commissioned third party analysis of viruses and antiviral needs. The Company regularly attends partnering conferences with an eye to identifying potentially complementary technologies that are consistent the strategies suggested by Island's Scientific Advisory Board (SAB).

Intellectual property

The U.S. patent grant entitled "Method of Viral Inhibition" was issued under U.S. Patent No 11,752,116 and has an expiration date of 16 April 2034, subject to additional Patent Term Adjustment. Claims of the patent are directed to methods of preventing or delaying the onset of one or more symptoms of dengue fever, by administering ISLA-101 to the subject during a period of time in which the subject is at risk of exposure.

In addition to this, the Australian patent grant entitled "Method of Viral Inhibition" was issued under Australian Patent No 2021205039 and has an expiration date of 16 April 2034. Claims of the patent are directed to the method of treating or preventing flavivirus infections by administering ISLA-101.

[3] *https://www.fda.gov/drugs/nda-and-bla-approvals/animal-rule-approvals#:%7E:text=The%20use%20of%20the%20Animal,%2C%20radiological%2C%20or%20nuclear%20substances.*

Key Risks and Uncertainties

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

(a) Sufficiency of funding

The Company has limited financial resources and will need to raise additional funds from time to time to finance the continued research, development and commercialisation of its technology / products and its other longer-term objectives. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. If for any reason the Company was unable to raise future funds, its ability to achieve its milestones or continue future development / commercialisation of its technology / product would be significantly affected.

(b) Healthcare insurers and reimbursement

In both domestic and foreign markets, sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans. There is considerable public policy and government pressure to reduce the cost of therapeutic products, particularly biologics, and government and other third party payers are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the United States Food and Drug Administration (FDA) has not granted marketing approval.

No assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed on a profitable basis.

(c) Product liability

The process of securing marketing approval of a new product is both costly and time consuming. The conduct of clinical trials will expose the Company to product liability risks and future sales of its product may, and if the Company decides to develop a product candidate and take it to market directly will, expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

The Company intends to obtain and maintain adequate levels of insurance to cover product liability risks. Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(d) Commercialisation risk

The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to discover, validate and commercialise therapeutic products or product candidates. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

(e) Innovative technological development – intermediate stage of development

The Company's product candidates are at an intermediate human clinical stage and further substantial clinical development is necessary. No guarantee can be provided that the proposed clinical work will be successful or result in an approved product.

(f) Clinical trials - regulatory requirements
Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory and legal requirements. In addition, trial design can change which may have adverse impact on cost and time of the Company's proposed clinical trials. Clinical trials of the Company's products will likely take several years to complete. There is a risk that the FDA may not approve the Company's proposed new drug application filed with the FDA under section 505 of US Federal Food, Drug and Cosmetic Act (NDA) application and this would require the Company to undertake more trials and cause a delay in the Company's development program. Clinical development of the Company's products may fail for a number of other reasons, including lack of efficacy or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials. The Company and/or the relevant regulatory authorities, human research ethics committees and institutions where the clinical trials are conducted, may suspend the Company's clinical trials at any time if it appears that the trials are exposing the trial participants and or the staff involved in conducting the clinical trial to unacceptable health risks.

Alternatively there is the risk that despite conducting the relevant clinical trial in compliance with regulatory requirements, the results of the trial do not support any further development or result in a rejection by the relevant regulator. As a result the Company may fail to commercialise or out-license any products.

Any changes to the laws and regulations in relation to the regulatory approval and sale of therapeutic goods (including the laws and regulations of the FDA), could also adversely affect the Company's clinical trials, NDA and commercialisation.

(g) Dependence on service providers and third-party collaborators
As with all new therapeutic products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.

(h) Reliance on key personnel
The Company's research and development and its operations success will substantially depend on the continued employment of senior executives, technical staff and other key personnel. The loss of key personnel is likely to have an adverse effect on the Company's operation and performance.

(i) Intellectual property
There is no guarantee that the Company's intellectual property comprises all of the rights that the Company may require to freely commercialise its product candidates. The Company's existing intellectual property include its licensing rights under a licensing agreement between Isla Pharmaceuticals Inc. (a company incorporated in the United States and a wholly owned subsidiary of the Company) and Monash University and its knowhow in drug re-positioning/clinical trials.

Patent applications are commonly drafted with a very broad ambit scope of claims - as different claim scopes are often allowed in different jurisdictions. This approach is important initially so as not to unduly limit the potential coverage of the relevant patent application. An initial rejection by a patent examiner of such broad ambit claims is also commonly received and then the applicant in conjunction with discussions with the patent examiner narrows the claims for that particular jurisdiction to achieve allowance of the more narrow claims and subsequent patent grant. No assurance is given that the Company's patent applications will result in granted patents.

Furthermore even though some of the Company's patent applications have already been successful (resulting in granted patents) investors should note that a competitor may at any time challenge granted patents and a court may find that although a patent has been granted it is invalid or unenforceable or revoked. It is possible a court may find that the Company's entitlement is subsequently revealed not to have existed, may not have any exclusive patent rights or any patent rights at all and may be prevented from developing and/or commercialising its products. If the Company's intellectual property rights are ever challenged it may also not have the funds to oppose the challenge.

(j) Competition risk
The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to discover, validate and commercialise therapeutic products or product candidates. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability. In addition, there are other companies developing our lead product candidate molecule for other indications.

If these other companies gain FDA approval for The Company's lead product candidate before The Company's approval, this will prevent the Company from obtaining a Priority Review Voucher for its lead product candidate.

(k) Currency risk
Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Company carries on part of its business outside of Australia and intends to continue to do so. Accordingly, revenues and payments will be made in those countries' currencies and may deviate from budgeted expectations if there are adverse currency fluctuations against the Australian dollar.

(l) Requirement to raise additional funding
The Company may be required to raise additional funds in the future. There is no guarantee that the Company will be able to raise such additional capital when it is required, or on terms satisfactory to the Company. If the Company is unsuccessful in obtaining funding when required, this may have a material adverse effect on the Company's business and financial condition and performance and the Company may need to delay, scale down or cease its operations. Further, any additional capital raised may dilute Shareholders' interests in the Company.

(m) Insurance
The Company insures its business and operations. However, the Company's insurance may not be of a nature or level to provide adequate insurance cover to insure against the occurrence of all events that may impact on the operations of the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial conditions and results of the Company.

Summary of operating results

The statement of profit or loss and other comprehensive income shows a loss of $2,864,318 (2023: $2,830,449) for the period. As at 30 June 2024 the Group had a cash position of $1,660,377 (2023: $1,998,263). The Group has no bank debt. Operating activities incurred a net cash outflow for the period of $3,164,945.

- Research and development costs of $2,272,568 (2023: $1,140,643)
- Share based payment expense of $nil (2023: $297,619)
- Corporate and administration expenses of $1,090,450 (2023: $998,638)
- Professional services expenses of $412,180 (2023: $162,773)
- Employee benefit expense of $350,158 (2023: $308,458)

Financial liquidity and capital resources

Island ended the financial year with cash of $1.7m (2023: $2.0m) and 126,767,093 shares on issue.

Directors' Report

30 June 2024

Future developments, prospects and business strategies

Looking forward the Company will advance the ISLA-101 program into clinical trials. Upcoming milestones include:

- Screening, enrolment, dosing subjects in PROTECT trial
- Advancing through PROTECT cohorts
- Trial read out
- Identifying lead molecules from research collaborations

Significant changes in the state of affairs

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

Environmental regulation

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

Likely developments and expected results of operations

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Information on future developments, prospects and business strategies have only been referred to in the Chairman's letter and CEO report. For further information on the Company's business strategies and material risks, refer also to the Prospectus which is available on the Company website or ASX Announcements.

Shares under option

During the financial year, the following options were granted:

No. of options	Grant date	Expiry date	Exercise price
32,507,388	26/03/2024	14/03/2025	$0.06
4,500,000	21/03/2024	21/03/2027	$0.12
12,990,209	21/06/2024	14/03/2025	$0.06

Directors' Report

30 June 2024

Shares under option

Unissued ordinary shares of Island Pharmaceuticals Limited under option at the date of this report are as follows:

No. of options	Expiry date	Exercise price	Grantee
203,802	01/01/2025	$0.2130	Replacement employee share scheme options
1,380,000	28/04/2026	$0.2100	Scientific Advisory Board Member options
4,500,000	21/03/2027	$0.1200	Broker options
32,490,549	14/03/2025	$0.0600	Listed options issued under Prospectus dated 26/02/2024

There were 9,995,209 options that expired during the year with various exercise prices.

Shares issued on the exercise of options

During the period 12,990,209 options were exercised.

Auditor's independence declaration

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

Indemnity and insurance of officers

The company has 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 year, the company 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. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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.

Directors' Report

30 June 2024

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 15 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 15 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Corporate Governance

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website: https://www.islandpharmaceuticals.com/site/about/corporate-governance

Environmental, Social and Governance (ESG)

ESG is important to Island

Environmental, Social and Governance (ESG) is a set of standards which governs how a company acts ethically and responsibly, with regard for people and the planet.

Good health is critical to thriving societies and economies. Through its pursuit to develop a new molecule to combat dengue virus infections, a priority disease according to the Access to Medicine Foundation, which affects, according to the WHO, up to 390 million per annum predominantly in developing countries, Island's work is inherently focused on improving global social outcomes.

Island continues to develop and evolve ESG-related activities in order to reduce risk, improve financial and operating performance, and create value for our shareholders and communities around the world.

We focus our ESG efforts on topics identified by the Sustainability Accounting Standards Board (SASB) as material for the biotechnology and pharmaceuticals sector, as well as topics applicable to all sectors due to global ESG priorities.

Island is determining an appropriate governance model to ensure ESG matters receive the proper oversight by the Board. While a formal model is being developed, Island's Managing Director, Dr David Foster, is responsible for ensuring the Board has oversight of priority matters if they should arise.

Environmental and Social Stewardship

To ensure we drive value and concentrate our efforts, we have begun work to map our stakeholders so as to determine how to most pragmatically assess any environmental and social risks in our supply chain. Island does not own or control any buildings or fleet, so it does not contribute scope 1 or 2 emissions.

Safety of clinical trial patients

Island prioritises patient safety first, from drug candidate selection to conducting clinical trials.

Island's drug development strategy leverages previous expenditure and research by other parties into manufacturing development, pre-clinical work and clinical studies in humans in order to rapidly enter clinical trials for Island's drug candidates. Island's strategy is to develop drugs that have already been successfully examined in clinical trials.

The Company carries out clinical trials in accordance with applicable laws and regulations, and scientifically designed protocols including the Food and Drug Administration, an effective Investigational New Drug application, and the Good Clinical Practice Standard (GCP).

Island chooses highly credentialed, world-leading clinical trial partners to ensure trials are carried out to the highest standards, including safety standards.

Board diversity

The Company's Diversity Policy, which outlines the Company's commitment to diversity and inclusion and the provision of a work environment that is free from discrimination and promotes equal opportunity for all, is available within Island's Corporate Governance Plan.

Island's Board female to male ratio is 20% vs 80%.

Business ethics

Island is committed to the highest standard of honesty and integrity in all its interactions, including interactions with health care professionals.

The Company's commitment to the highest ethical standards includes strict compliance with applicable anti-bribery and corruption laws in Australia and overseas. This commitment is reflected in the statement of values of the Company (commitment, respect, integrity, solidarity and putting patients first) and the Company's Anti-Bribery and Anti-Corruption Policy, which is published in the Company's Corporate Governance Plan.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 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.

Remuneration report (audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Island Pharmaceutical's key management personnel for the financial year ended 30 June 2024 in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- relationship between the remuneration policy and Company performance
- details of remuneration
- key management personnel equity holdings

Directors' Report

30 June 2024

Key management personnel

The prescribed details for each person covered by this report are detailed below under the following headings:

The directors and other key management personnel of the Group during the financial year were:

Non-Executive Directors	Position	Appointed
Anna Lavelle	Non-Executive Director	1 October 2020
David Brookes	Non-Executive Director	1 October 2020
Albert Hansen	Non-Executive Director	1 October 2020

Executive Directors	Position	Appointed
Paul MacLeman	Executive Chair	25 May 2020
David Foster	Executive Director	1 October 2020

Remuneration policy and relationship with company performance

The Company has a Remuneration and Nomination Committee, which consists of Anna Lavelle (Chair of Remuneration Committee), David Brookes, Paul MacLeman and Albert Hansen. The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Company. An overview of the Remuneration & Nomination Committee is outlined below.

The Remuneration & Nomination Committee establishes, amends, reviews and approves the compensation and equity incentive plans with respect to senior management and employees of the Company, including determining individual elements of total compensation of the Executive Director and other members of senior management. The Remuneration & Nomination Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation. It recommends the Director nominees for each annual general meeting and ensures that the Audit & Risk Committee and Remuneration & Nomination Committee have the benefit of qualified and experienced directors.

During the period, the Committee did not engage remuneration consultants in the process of reviewing Executive KMP and Non-executive Director remuneration.

Long Term Incentive (LTI)

From time to time Board approval may be sought for the issue of securities (performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such performance rights are issued under the Island Pharmaceuticals Limited Employee Incentive Plan. No options were issued as an LTI in FY2024.

Directors' Report

30 June 2024

Director compensation

Service contracts with key management personnel:

Position	Annual salary (inclusive of superannuation)
Executive Chair	$150,000
Executive Director	$291,720
Non-Executive Director	$45,000
Non-Executive Director & Chair of Committee	$50,000

Executive Chair remuneration

Paul MacLeman is employed in the position of Executive Chair of the Company on the following material terms:

(1) Effective 13 April 2021 being the date that the Company is admitted to the Official List of ASX, a salary of $150,000 inclusive of statutory superannuation.
(2) Effective 13 April 2021 either party is entitled to terminate the employment contract by giving 12 weeks' notice.
(3) Entitled to annual leave, personal/carer's leave, long service leave and other leave in accordance with relevant legislation, as it applies from time to time.

Executive Director remuneration

David Foster is employed in the position of CEO and Managing Director of the Company on the following material terms:

(1) The Board approved the Remuneration and Nominations committee recommendation to increase David's salary to $291,720 effective 1 July 2023 (salary from 1 July 2022 was $280,500).
(2) A short-term cash incentive of up to 20% and a short-term stretch target cash incentive of up to 10% of the annual salary subject to achieving key performance objectives as set by the Board from time to time.
(3) Long Term Incentives (LTI) will be made available through the Company's Share Option Plan. The terms will be at the sole discretion of the Board and determined by the Board after the first six months and thereafter on the anniversary of David's commencement.
(4) Effective 13 April 2021 either party is entitled to terminate the employment contract by giving 12 weeks' notice.
(5) Entitled to annual leave, personal/carer's leave, long service leave and other leave in accordance with relevant legislation, as it applies from time to time.

Non-Executive Directors (NEDs) remuneration

The Constitution and the ASX Listing Rules specify that the aggregate compensation of NEDs shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the directors as agreed by the Board. An amount of $500,000 was approved by the Company's shareholder in October 2020. The Board does not intend to seek any increase for the NEDs maximum aggregate fee pool at the 2024 AGM.

The board seeks to set NEDs fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The fee structure will be reviewed annually against fees paid to NEDs of comparable companies in similar industries.

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2024	Cash salary and fees $	Cash bonus [1] $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled options $	Total $
Non-Executive Directors:							
Anna Lavelle	50,000	-	-	-	-	-	50,000
David Brookes	45,045	-	-	4,955	-	-	50,000
Albert Hansen	45,000	-	-	-	-	-	45,000
Executive Directors:							
Paul MacLeman	135,135	-	405	14,865	-	-	150,405
David Foster	291,720	58,344	863	-	-	-	350,927
	566,900	**58,344**	**1,268**	**19,820**	**-**	**-**	**646,332**

[1] As part of the Employment Agreement and in line with achieving key performance objectives as set by the Board, a potential bonus of up to $87,516 was eligible to be paid (30% of annual salary). Based off an assessment of these key performance objectives, a bonus of $58,344 was achieved during the year (66.67% of total eligible bonus, with the remaining 33.33% forfeited).

Directors' Report

30 June 2024

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2023	**Cash salary and fees $**	**Cash bonus [1] $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled options $**	**Total $**
Non-Executive Directors:							
Anna Lavelle	50,000	-	-	-	-	21,306	71,306
David Brookes	45,248	-	-	4,751	-	21,306	71,305
Albert Hansen	45,000	-	-	-	-	21,306	66,306
Executive Directors:							
Paul MacLeman	135,746	-	14,917	14,253	-	123,844	288,760
David Foster	280,500	27,958	(1,755)	-	-	28,144	334,847
	556,494	**27,958**	**13,162**	**19,004**	**-**	**215,906**	**832,524**

[1] As part of the Employment Agreement and in line with achieving key performance objectives as set by the Board, a potential bonus of up to $84,150 was eligible to be paid (30% of annual salary). Based off an assessment of these key performance objectives, a bonus of $27,958 was paid during the year (33.22% of total eligible bonus, with the remaining 66.78% forfeited).

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Non-Executive Directors:						
Anna Lavelle	100%	70%	-	-	-	30%
David Brookes	100%	70%	-	-	-	30%
Albert Hansen	100%	68%	-	-	-	32%
Executive Directors:						
Paul MacLeman	100%	57%	-	-	-	43%
David Foster	83%	84%	17%	8%	-	8%

Key management personnel equity holdings

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions[1]	Disposals / other	Balance at the end of the year
Ordinary shares - 2024					
Anna Lavelle	100,000	-	40,000	-	140,000
David Brookes	100,000	-	40,000	-	140,000
Albert Hansen	10,937,367	-	166,667	-	11,104,034
Paul MacLeman	85,054	-	33,572	-	118,626
David Foster	5,282,696	-	541,176	-	5,823,872
	16,505,117	**-**	**821,415**	**-**	**17,326,532**

[1] On 26 February 2024 the Company undertook a non-renounceable pro rata offer of shares and attaching options - being on the basis of two new shares for every five shares held by eligible shareholders. All additions relate to Director participation in the non-renounceable pro rata offer.

	Balance at the start of the year	Received as part of remuneration	Additions[1]	Disposals / other	Balance at the end of the year
Ordinary shares - 2023					
Anna Lavelle	100,000	-	-	-	100,000
David Brookes	100,000	-	-	-	100,000
Albert Hansen	10,937,367	-	-	-	10,937,367
Paul MacLeman	85,054	-	-	-	85,054
David Foster	5,251,393	-	31,303	-	5,282,696
	16,473,814	**-**	**31,303**	**-**	**16,505,117**

[1] On market purchase.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Additions[1]	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares - 2024					
Anna Lavelle	400,000	-	40,000	(400,000)	40,000
David Brookes	400,000	-	40,000	(400,000)	40,000
Albert Hansen	400,000	-	166,667	(400,000)	166,667
Paul MacLeman	2,325,000	-	33,572	(2,325,000)	33,572
David Foster	533,333	-	541,176	(553,921)	520,588
	4,058,333	**-**	**821,415**	**(4,078,921)**	**800,827**

[1] On 26 February 2024 the Company undertook a non-renounceable pro rata offer of shares and attaching options - being on the basis of two new shares for every five shares held by eligible shareholders. All additions relate to Director participation in the non-renounceable pro rata offer.

	Balance at the start of the year	Granted as part of remuneration	Additions	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares - 2023					
Anna Lavelle	400,000	-	-	-	400,000
David Brookes	400,000	-	-	-	400,000
Albert Hansen	423,023	-	-	(23,023)	400,000
Paul MacLeman	2,325,000	-	-	-	2,325,000
David Foster	533,333	-	-	-	533,333
	4,081,356	**-**	**-**	**(23,023)**	**4,058,333**

Directors' Report

30 June 2024

Additional information

The earnings of the Group for the three years to 30 June 2024 are summarised below:

	2024 $	2023 $	2022 $
Loss after income tax	(2,864,318)	(2,830,449)	(2,606,887)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2024	2023	2022
Share price at financial year end ($)	0.08	0.10	0.15
Total dividends declared (cents per share)	-	-	-
Basic loss per share (cents per share)	3.17	3.48	3.22
Diluted loss per share (cents per share)	3.17	3.48	3.22

This concludes the remuneration report, which has been audited.

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

On behalf of the directors

Paul MacLeman
Executive Chair

29 August 2024
Melbourne

William Buck
ACCOUNTANTS & ADVISORS

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Island Pharmaceuticals Limited

As lead auditor for the audit of Island Pharmaceuticals for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, 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.

This declaration is in respect of Island Pharmaceuticals Limited and the entities it controlled during the year.

William Buck

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

N. S. Benbow
Director
Melbourne, 29 August 2024

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Note	2024 $	2023 $
Revenue			
Interest Income		4,714	11,065
Research and Development Tax Incentive	5	1,251,575	-
Grant income		10,000	-
Total revenue		**1,266,289**	**11,065**
Expenses			
Employee benefits expense		(350,158)	(308,458)
Share based payment expense	9	-	(297,619)
Research and development costs		(2,272,568	(1,140,643)
Professional services expenses		(412,180)	(162,773)
Corporate and administration expenses		(1,090,450)	(998,638)
Finance costs		(46,201)	(9,000)
Effect of changes in foreign exchange rates		40,950	75,617
Total expenses		**(4,130,607)**	**(2,841,514)**
Loss before income tax expense		(2,864,318)	(2,830,449)
Income tax expense		**-**	**-**
Loss after income tax expense for the year attributable to the owners of Island Pharmaceuticals Limited		(2,864,318)	(2,830,449)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		71	60
Other comprehensive income for the year, net of tax		71	60
Total comprehensive income for the year attributable to the owners of Island Pharmaceuticals Limited		**(2,864,247)**	**(2,830,389)**
		Cents	**Cents**
Basic earnings per share	6	(3.17)	(3.48)
Diluted earnings per share	6	(3.17)	(3.48)

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

Consolidated statement of financial position

As at 30 June 2024

	Note	2024 $	2023 $
Assets			
Current assets			
Cash and cash equivalents		1,660,377	1,998,263
Trade and other receivables	7	890,667	17,231
Prepayments		13,427	33,725
Total current assets		**2,564,471**	**2,049,219**
Total assets		**2,564,471**	**2,049,219**
Liabilities			
Current liabilities			
Trade and other payables	8	571,701	213,159
Employee benefits		51,955	50,687
Borrowings	9	421,968	-
Total current liabilities		**1,045,624**	**263,846**
Total liabilities		**1,045,624**	**263,846**
Net assets		**1,518,847**	**1,785,373**
Equity			
Issued capital	10	22,393,812	19,900,792
Reserves		325,091	1,647,838
Accumulated losses		(21,200,056)	(19,763,257)
Total equity		**1,518,847**	**1,785,373**

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

Consolidated statement of changes in equity

For the year ended 30 June 2024

	Issued capital $	Foreign ex-change reserve $	Share-based payment reserve $	Restructure reserve $	Accumu-lated losses $	Total equity $
Balance at 1 July 2022	19,900,792	1,323	1,798,231	(12,647,904)	(4,734,299)	4,318,143
Loss after income tax expense for the year	-	-	-	-	(2,830,449)	(2,830,449)
Other comprehensive income for the year, net of tax	-	60	-	-	-	60
Total comprehensive income for the year	-	60	-	-	(2,830,449)	(2,830,389)
Transactions with owners in their capacity as owners:						
Vesting charge for share-based payments	-	-	297,619	-	-	297,619
Restructure reserve allocation	-	-	-	12,647,904	(12,647,904)	-
Expiry of share options	-	-	(449,395)	-	449,395	-
Balance at 30 June 2023	**19,900,792**	**1,383**	**1,646,455**	**-**	**(19,763,257)**	**1,785,373**

	Issued capital $	Foreign exchange reserve $	Share-based payment reserve $	Accumu-lated losses $	Total equity $
Balance at 1 July 2023	19,900,792	1,383	1,646,455	(19,763,257)	1,785,373
Loss after income tax expense for the year	-	-	-	(2,864,318)	(2,864,318)
Other comprehensive income for the year, net of tax	-	71	-	-	71
Total comprehensive income for the year	-	71	-	(2,864,318)	(2,864,247)
Transactions with owners in their capacity as owners:					
Vesting charge for the granting and issue of share options to brokers for rights issue	(104,701)	-	104,701	-	-
Issue of ordinary shares	1,950,448	-	-	-	1,950,448
Issue of ordinary shares upon exercise of options	779,413	-	-	-	779,413
Share issue transaction costs	(132,140)	-	-	-	(132,140)
Expiry of share options	-	-	(1,427,519)	1,427,519	-
Balance at 30 June 2024	**22,393,812**	**1,454**	**323,637**	**(21,200,056)**	**1,518,847**

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

Consolidated statement of cash flows

For the year ended 30 June 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Interest received		4,714	11,065
Payments to suppliers and employees (inclusive of GST)		(3,566,004)	(2,710,826)
Research and Development tax incentive received		386,345	-
Other government grants		10,000	-
Net cash used in operating activities	11	(3,164,945)	(2,699,761)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	10	1,950,448	-
Share issue transaction costs		(132,140)	-
Proceeds from issue of shares upon exercise of options		779,413	-
Proceeds from borrowings		386,300	-
Repayment of insurance financing arrangement		(187,696)	(171,356)
Interest and other finance costs paid		(9,763)	(9,000)
Net cash from/(used in) financing activities		2,786,562	(180,356)
Net decrease in cash and cash equivalents		(378,383)	(2,880,117)
Cash and cash equivalents at the beginning of the financial year		1,998,263	4,787,437
Effects of exchange rate changes on cash and cash equivalents		40,497	90,943
Cash and cash equivalents at the end of the financial year		**1,660,377**	**1,998,263**

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

Notes to the financial statements

30 June 2024

Note 1. General information

The financial statements cover Island Pharmaceuticals Limited as a Group consisting of Island Pharmaceuticals Limited and the entities it controlled at the end of, or during, the year ("the Group"). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Island Pharmaceuticals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

c/- Bio101 Financial Advisory Pty Ltd
Suite 201
697 Burke Road
Camberwell, VIC 3124

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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, there was no impact on the amounts recognised in current or prior period and no expected significant changes in future periods.

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

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 Group'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 3.

Note 2. Material accounting policy information (continued)

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.

For the period ended 30 June 2024 the entity has incurred a loss after tax of $2,864,318 and incurred a net cash outflow from operating activities of $3,164,945. As at 30 June 2024, the entity has had net assets of $1,518,847 and cash reserves of $1,660,377.

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 material uncertainty that may cast significant doubt about the ability of the company to continue as a going concern.

The directors have considered 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. The directors also considered the other following matters in their cashflow forecast, all of which are contingent upon future matters which may or may not eventuate:

- The Company can scale down its operations sufficiently (and narrow the scope of its planned activities) should the above capital raising not occur;
- The Company holds no leases over 3+ months;
- The Company may be able to claim the Research & Development tax incentive from the ATO for eligible spend.
- The Company has the ability to raise additional capital as an ASX listed company.

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 and 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 13.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Island Pharmaceuticals Limited ('company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Island Pharmaceuticals Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

Note 2. Material accounting policy information (continued)

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

Revenue recognition

The Group recognises revenue as follows:

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government research and development tax incentives

In the financial year ending 30 June 2024, the Group has accounted for the prior year Research and Development Tax Incentive received and current year accrued.

Research and development expenditure

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 Group is able to use or sell the asset; the Group 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.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 2. Material accounting policy information (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 3. 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 below.

Share-based payment transactions

The Group 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 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets was recognised during the year.

Research and Development Tax Incentive credits

Government grants, including research and development incentives are recognised at fair value when there is reasonable assurance that the grant will be received and all grant conditions will be met.

With the successful track record of the Group in obtaining the Research and Development rebate from the ATO, an estimated rebate of $865,230 has been accrued as income for the full-year ended 30 June 2024 (30 June 2023: nil).

The Group 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.

Assessment of Research and Development expenditure not advancing to a stage of technical feasibility

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 Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Note 4. Operating segments

During the year the Group continued to operate a single segment, being research and development activities principally in the geographic regions of Australia and the United States of America.

Note 5. Research and Development Tax Incentive

	2024 $	2023 $
Research and Development Tax Incentive	1,251,575	-

Research and Development Tax Incentive revenue recorded in 2024 relates to the FY2023 refund received of $386,345 and the accrued FY2024 refund of $865,230 (2023: nil).

Note 6. Loss per share

	2024 $	2023 $
Loss after income tax attributable to the owners of Island Pharmaceuticals Limited	(2,864,318)	(2,830,449)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	90,295,606	81,268,468
Weighted average number of ordinary shares used in calculating diluted earnings per share	90,295,606	81,268,468

	Cents	Cents
Basic earnings per share	(3.17)	(3.48)
Diluted earnings per share	(3.17)	(3.48)

The group had 6,083,802 options on issue as at 30 June 2024 (2023: 11,579,011) that are not considered to be dilutive due to the exercise price exceeding the current market price of the underlying ordinary shares.

Note 7. Current assets - trade and other receivables

	2024 $	2023 $
Research and Development Tax Incentive Receivable - FY24	865,230	-
GST receivable	25,437	17,231
	890,667	**17,231**

Notes to the financial statements

30 June 2024

Note 8. Current liabilities - trade and other payables

	2024 $	2023 $
Trade payables	311,807	112,503
Accrued expenses	156,824	95,863
Other payables	9,726	4,793
Owing to key management personnel	93,344	-
	571,701	**213,159**

Refer to note 12 for further information on financial instruments.

Note 9. Current liabilities - borrowings

	2024 $	2023 $
Research and Development Advance Loan	421,968	-

The Research and Development Advance Loan is a loan facility with Innovation Structured Finance Co., LLC serviced via Radium Capital and is an advance on 80% of the Company's estimated Research and Development Tax Incentive (RDTI) for the period ending 30 November 2023. The interest rate for the loan facility is 16% per annum. Repayment is timed to coincide with the receipt of the 2024FY RDTI refund.

Refer to note 12 for further information on financial instruments.

Notes to the financial statements

30 June 2024

Note 10. Equity - issued capital

Ordinary shares

	2024 Shares	2023 Shares	2024 $	2023 $
Ordinary shares - fully paid	**126,767,093**	**81,268,468**	**22,393,812**	**19,900,792**

Movements in ordinary share capital

	2024 Shares	2023 Shares	2024 $	2023 $
At the beginning of reporting period	81,268,468	81,268,468	19,900,792	19,900,792
Issue of ordinary shares	32,507,388	-	1,950,448	-
Issue of ordinary shares upon exercise of options	12,991,237	-	779,413	-
Less: Share placement costs	-	-	(132,140)	-
Less: Cost of raising capital	-	-	(104,701)	-
At the end of the reporting period	**126,767,093**	**81,268,468**	**22,393,812**	**19,900,792**

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.

Upon a poll each share shall have one vote.

Note 11. Reconciliation of loss after income tax to net cash used in operating activities

	2024 $	2023 $
Loss after income tax expense for the year	(2,864,318)	(2,830,449)
Adjustments for:		
Share-based payments	-	297,619
Foreign exchange differences	40,497	89,474
Interest expense capitalised into borrowings	45,432	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(873,436)	3,659
(Increase)/decrease in prepayments	20,298	56,824
Increase/(decrease) in trade and other payables	465,314	(330,052)
Increase/(decrease) in employee benefits	1,268	13,164
Net cash used in operating activities	**(3,164,945)**	**(2,699,761)**

Note 12. Financial instruments

Financial risk management objectives

The Group's material financial assets and liabilities consist of cash, accounts payable and borrowings.

The Group's activities expose it to two financial risks, being foreign exchange and liquidity risk. These risks are managed at Board level through cashflow forecasting analyses.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 12. Financial instruments (continued)

The Group undertakes transactions denominated in foreign currencies, mainly in US dollars; consequently, exposures to exchange rate fluctuations arise. At 30 June 2024, the Company has cash denominated in US dollars, US$68,452 (2023: US$1,150,271). The A$ equivalent at 30 June 2024 is $102,678 (2023: $1,731,514). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately $3,423 (2023: $91,132).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

2024 contractual cash flows	Carrying amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
Trade and other payables	572,449	572,449	-	-	-	572,449
Borrowings	-	-	-	421,968	-	421,968

2023 contractual cash flows	Carrying amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
Trade and other payables	213,159	213,159	-	-	-	213,159

Fair value of financial instruments

As at 30 June 2024 the carrying values of all financial assets and liabilities approximated their fair value.

Notes to the financial statements

30 June 2024

Note 13. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024 $	2023 $
Loss after income tax	(2,864,394)	(2,830,452)
Total comprehensive income	(2,864,394)	(2,830,452)

Statement of financial position

	Parent	
	2024 $	2023 $
Total current assets	2,562,648	2,047,467
Total assets	2,562,648	2,047,467
Total current liabilities	1,046,373	263,847
Total liabilities	1,046,373	263,847
Equity		
Issued capital	9,651,027	7,158,676
Share-based payments reserve	323,635	1,646,455
Accumulated losses	(8,458,387)	(7,021,511)
Total equity	1,516,275	1,783,620

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024.

Note 13. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 14. Related party transactions

Key Management personnel
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Directors and Key Management Personnel compensation
The Directors and Key Management Personnel compensation included in "employee expenses" are as follows:

Nature of compensation	2024 $	2023 $
Short-term employee benefits[1]	626,512	597,614
Post-employment benefits	19,820	19,004
Share-based payments	-	215,906
	646,332	**832,524**

[1] Accrued amount owing to KMP at 30 June 2024: $58,344.

Subsidiaries
Interests in subsidiaries are set out in note 16.

Other related party transactions
Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Notes to the financial statements

30 June 2024

Note 15. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Pty Ltd the auditor of the company:

	2024 $	2023 $
Audit services		
Audit or review of the financial statements	46,350	37,500
Other services		
Research & Development Tax Incentive Services	31,550	-
	77,900	**37,500**

Note 16. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2024 %**	**2023 %**
Isla Pharmaceuticals Inc.	United States of America	100%	100%

Note 17. Commitments and contingencies

There are no significant commitments and contingencies at balance date in the current or prior reporting periods.

Note 18. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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.

Consolidated entity disclosure statement

30 June 2024

Entity name	Entity type	Country of incorporation	%	Tax residency
Island Pharmaceuticals Limited	Body Corporate	Australia	N/A	Australia
Isla Pharmaceuticals, Inc.	Body Corporate	United States of America	100%	United States of America

Basis of preparation

This Consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency

Section 295 (3A)(vi) of the Corporation Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

Australian tax residency

The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

Partnerships and Trusts

None of the entities noted above were trustees of trusts within the Group, partners in a partnership within the Group or participants in a joint venture within the Group.

Directors' Declaration

30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 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 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Paul MacLeman
Executive Chair

29 August 2024
Melbourne

Independent auditor's report to the members of Island Pharmaceuticals Limited

Report on the audit of the financial report

Our opinion on the financial report

In our opinion, the accompanying financial report of Island Pharmaceuticals Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2024,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 2 in the financial report, which states that the Group incurred a net loss of $2,864,318 and net cash outflows from operations of $3,164,945 during the year ended 30 June 2024. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. With the exception of the matter described in the *Material uncertainty related to going concern* section, we have determined that there were no other significant key audit matters to be communicated in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001,* and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

William Buck
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Island Pharmaceuticals Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

Responsibilities

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

William Buck

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

N. S. Benbow
Director
Melbourne, 29 August 2024

Shareholder information

30 June 2024

The shareholder and optionholder information set out below was applicable as at 31 July 2024.

Ordinary Shares

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Holding ranges	Holders	Total units	% Issued Share Capital
Above 0 up to and including 1,000	47	21,760	0.02%
Above 1,000 up to and including 5,000	194	524,628	0.41%
Above 5,000 up to and including 10,000	125	1,010,776	0.80%
Above 10,000 up to and including 100,000	262	9,345,621	7.37%
Above 100,000	99	115,864,308	91.40%
	727	**126,767,093**	

There are 313 shareholdings held with less than a marketable parcel, totalling 1,042,420 shares or 0.82% of the total share capital.

Equity security holders

Voting rights - Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shareholder information

30 June 2024

Ordinary Shares (ASX:ILA)

Position	Holder	Holding	% held
1	MR JASON ALAN CARROLL	24,070,000	18.99%
2	DR WILLIAM JAMES GARNER	22,056,105	17.40%
3	KESA PARTNERS INC	11,004,034	8.68%
4	DR DAVID C FOSTER	5,646,829	4.45%
5	MR NEVILLE JAMES MILES	4,190,905	3.31%
6	ICADER NOMINEES PTY LTD - ICADER INVESTMENTS A/C	2,418,328	1.91%
7	KING CORPORATE PTY LTD	2,322,565	1.83%
8	CITICORP NOMINEES PTY LIMITED	1,930,236	1.52%
9	MR ANDRE FRAGA FIGUEIREDO	1,832,947	1.45%
10	PR PERRY NOMINEES PTY LTD – DONESK FAMILY A/C	1,810,000	1.43%
11	MR ALISTAIR ROBERT BAKER	1,747,015	1.38%
12	BUPRESTID PTY LTD - HANLON FAMILY S/F A/C	1,500,000	1.18%
13	BNP PARIBAS NOMS PTY LTD	1,297,653	1.02%
14	MR ANDREW DAVID WALKER & MRS ANGELA ROSEMARY WALKER	1,295,000	1.02%
15	MRS PATRICIA FERNANDES DIAS DE ALMEIDA	1,189,051	0.94%
16	MRS CATHERINE HYLES	1,171,999	0.92%
17	REID GROUP DEVELOPMENTS PTY LTD	1,109,165	0.88%
18	VISHA HOLDINGS PTY LTD	1,064,500	0.84%
19	MS JENNIFER ANNE CIRO	1,000,000	0.79%
19	MR YUSUF FARUQUE ISMAIL & MRS INGRID HELEN ISMAIL	1,000,000	0.79%
19	MR TERENCE LEO TOBIN & MRS ELIZABETH JOY TOBIN	1,000,000	0.79%
20	10 BOLIVIANOS PTY LTD	937,316	0.74%
	Total	**91,593,648**	**72.25%**
	Total issued capital - selected security class(es)	**126,767,093**	**100.00%**

Shareholder information

30 June 2024

Substantial shareholders

The names of substantial shareholders in accordance with section 671B of the Corporations Act 2001 are:

Position	Shareholder	Holding	IC %
1	MR JASON ALAN CARROLL	24,070,000	18.99%
2	DR WILLIAM JAMES GARNER	22,056,105	17.40%
3	KESA PARTNERS INC	11,004,034	8.68%

Quoted Options, exercisable at $0.06 expiring on 14 March 2025 (ASX:ILAO)

Holding ranges	Holders		%
Above 0 up to and including 1,000	8	3,485	0.01%
Above 1,000 up to and including 5,000	24	69,007	0.21%
Above 5,000 up to and including 10,000	12	101,153	0.31%
Above 10,000 up to and including 100,000	36	1,445,183	4.45%
Above 100,000	45	30,887,532	95.02%
	125	**32,506,360**	

Shareholder information

30 June 2024

Quoted options (ASX:ILAO)

Position	Holder	Total units	% held
1	MR JASON ALAN CARROLL	6,690,000	20.58%
2	10 BOLIVIANOS PTY LTD	3,119,620	9.60%
3	ICADER NOMINEES PTY LTD - ICADER INVESTMENTS A/C	2,418,328	7.44%
4	MR NEVILLE JAMES MILES	1,467,332	4.51%
5	KING CORPORATE PTY LTD	1,209,165	3.72%
5	REID GROUP DEVELOPMENTS PTY LTD	1,209,165	3.72%
6	AUKERA CAPITAL PTY LTD - AUKERA DISCRETIONARY A/C	1,033,333	3.18%
7	LILLUCY PTY LTD - LILYPILY SUPER FUND A/C	886,415	2.73%
8	CERTANE CT PTY LTD - BC1	695,270	2.14%
9	MS VANESSA RUBEN	671,758	2.07%
10	NYSHA INVESTMENTS PTY LTD - SANGHAVI FAMILY A/C	662,749	2.04%
11	CITICORP NOMINEES PTY LIMITED	655,698	2.02%
12	GMAN (WA) PTY LTD - GMAN FAMILY A/C	650,000	2.00%
12	MS JENNIFER ANNE CIRO	650,000	2.00%
13	MR JASON PAUL DINNERVILLE	600,000	1.85%
14	MRS CATHERINE HYLES	506,999	1.56%
15	FINCLEAR SERVICES PTY LTD - SUPERHERO SECURITIES A/C	502,790	1.55%
16	VISHA HOLDINGS PTY LTD	500,000	1.54%
16	RIYA INVESTMENTS PTY LTD	500,000	1.54%
16	DR DAVID C FOSTER	500,000	1.54%
17	MR ALISTAIR ROBERT BAKER	472,863	1.45%
18	SAGEMILA INVESTMENTS PTY LTD - SAGEMILA INVESTMENTS A/C	400,000	1.23%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO CUSTOMERS A/C	386,754	1.19%
20	MR MICHAEL MARCUS LEWIT & MRS KARIN KRISTINA LEWIT	337,333	1.04%
	Total	**26,725,572**	**82.22%**
	Total issued capital - selected security class(es)	**32,506,360**	**100.00%**

Shareholder information

30 June 2024

Unquoted Options

The Company has the following unquoted securities on issue:

203,802 options expiring 1 January 2025 @ $0.2130 – 1 holder	Number	%
Holders with more than 20%		
Mr Joseph Green	203,802	100.00%

1,380,000 options expiring 28 April 2026 @ $0.2100 – 4 holders	Number	%
Holders with more than 20%		
Stephen Thomas	460,000	33.33%
Leigh Farrell	460,000	33.33%

4,500,000 options expiring 21 March 2027 @ $0.1200 – 4 holders	Number	%
Holders with more than 20%		
PAC Partners Securities	1,575,000	35.00%
Sean Alexander Kennedy	1,282,500	28.50%
Shape Wealth Pt Ltd	1,282,500	28.50%

Restricted & Escrowed Securities

The Company has no restricted or escrowed securities.

Use of funds

Since admission the Company has used its cash in a way consistent with its business objectives.

On-Market buy-back

There is no current on-market buy-back.

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website: https://www.islandpharmaceuticals.com/site/pdf/4891c0b4-f389-4e96-a305-0afcafcc7a9a/Corporate-Governance-Statement.pdf

Required Statements

The Company advises that the Annual General Meeting (AGM) of the Company is currently scheduled for 14 November 2024 at 12:00pm (AEDT).

Further to Listing Rule 3.13.1, Listing Rule 14.3 and Clause 13.3 of the Company's Constitution, nominations for election of directors at the AGM must be received not less than 30 Business Days before the meeting.