

Island Pharmaceuticals Limited

(Formerly known as Island Pharmaceuticals Pty Ltd)

ABN 48 641 183 842

Half-year Financial Report - 31 December 2020

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Corporate directory
31 December 2020

| | |
|-----------------------------|---|
| 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 | Peter Webse |
| 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 registry | Automic Pty Ltd Deutsche Bank, Tower Level 5 126 Phillip Street Sydney NSW 2000 |
| Auditor | Grant Thornton Tower 5, Collins Square 727 Collins Street Melbourne VIC 3008 |
| Legal adviser | K&L Gates Level 25 525 Collins Street Melbourne Victoria 3000 |
| Website | https://www.islandpharmaceuticals.com |

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
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31 December 2020

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General information

The financial statements cover Island Pharmaceuticals Limited as an individual entity. The financial statements are presented in Australian dollars, which is Island Pharmaceuticals Limited's functional and presentation currency.

Island Pharmaceuticals Limited is an unlisted public company, incorporated and domiciled in Australia.

A description of the nature of the company'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 1 April 2021.

Island Pharmaceuticals Limited
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Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the company for the period ended 31 December 2020.

Directors

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

| Director | Appointment date |
|---|-------------------------|
| Dr Paul MacLeman - Executive Chairman | 25 May 2020 |
| Dr David Foster - Executive Director | 1 October 2020 |
| Dr David Brookes - Non-Executive Director | 1 October 2020 |
| Mr Albert Hansen - Non-Executive Director | 1 October 2020 |
| Dr Anna Lavelle - Non-Executive Director | 1 October 2020 |

Company secretary

Peter Webse 3 July 2020

Principal activities

Island Pharmaceuticals Limited is a drug research and repurposing company, focused on developing preventative or therapeutic drugs for viral infections.

Dividends

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

Review of operations

The loss for the company after providing for income tax amounted to \$82.

Significant changes in the state of affairs

The company was incorporated on 25 May 2020.

In accordance with the Certificate of Registration on Conversion to a Public Company issued by the Australia Securities and Investment Commission on 18 December 2020, Island Pharmaceuticals Pty Ltd converted to a public company on 17 December 2020 and changed its name to Island Pharmaceuticals Limited.

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

Matters subsequent to the end of the financial period

On 26 February 2021, the Directors approved the undertaking of Initial Public Offering to issue 30,000,000 Shares at an issue price of \$0.25 per Share to raise \$7,500,000 on the Australian Stock Exchange. The Offer is not underwritten. At the date of the Prospectus, there are 14,444,882 options on issue in the capital of the Company.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

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

Island Pharmaceuticals Limited
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Directors' report
31 December 2020

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the period ended 31 December 2020 and up to the date of this report.

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.

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.

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

On behalf of the directors



Paul MacLeman
Executive Chairman

1 April 2021

Auditor's Independence Declaration

To the Directors of Island Pharmaceuticals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Island Pharmaceuticals Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



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Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 1 April 2021

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2020

| | 31 December 2020 \$ |
|--|------------------------------------|
| Expenses | |
| Preliminary Expenses | (82) |
| Loss before income tax expense | (82) |
| Income tax expense | - |
| Loss after income tax expense for the period attributable to the owners of Island Pharmaceuticals Limited | (82) |
| Other comprehensive income for the period, net of tax | - |
| Total comprehensive income for the period attributable to the owners of Island Pharmaceuticals Limited | <u>(82)</u> |

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

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Statement of financial position
As at 31 December 2020

| | Note | 31 December 2020 \$ | 30 June 2020 \$ |
|-----------------------------------|------|---------------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2 | 1 | 1 |
| Trade and other receivables | 3 | 16 | 16 |
| Total current assets | | <u>17</u> | <u>17</u> |
| Total assets | | <u>17</u> | <u>17</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 4 | 756 | 674 |
| Total current liabilities | | <u>756</u> | <u>674</u> |
| Total liabilities | | <u>756</u> | <u>674</u> |
| Net liabilities | | <u>(739)</u> | <u>(657)</u> |
| Equity | | | |
| Issued capital | 5 | 1 | 1 |
| Accumulated losses | | <u>(740)</u> | <u>(658)</u> |
| Total deficiency in equity | | <u>(739)</u> | <u>(657)</u> |

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

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Statement of changes in equity
For the period ended 31 December 2020

| | Issued capital \$ | Accumulated losses \$ | Total deficiency in equity \$ |
|---|----------------------------------|--------------------------------------|--|
| Balance at 1 July 2020 | 1 | (658) | (657) |
| Loss after income tax expense for the period | - | (82) | (82) |
| Other comprehensive income for the period, net of tax | - | - | - |
| Total comprehensive income for the period | - | (82) | (82) |
| Balance at 31 December 2020 | <u>1</u> | <u>(740)</u> | <u>(739)</u> |

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

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Statement of cash flows
For the period ended 31 December 2020

| | 31 December 2020 \$ |
|--|------------------------------------|
| Net cash from operating activities | - |
| Net cash from investing activities | - |
| Net cash from financing activities | - |
| Net increase in cash and cash equivalents | - |
| Cash and cash equivalents at the beginning of the financial period | 1 |
| Cash and cash equivalents at the end of the financial period | <u>1</u> |

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

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The company has negative working capital and is in net liability position of \$739 as at 31 December 2020. The going concern of the company is dependent upon the success of raising capital through the Initial Public Offering as disclosed in note 9 - events after the reporting period.

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Should the company be unable to obtain the funding as described above, there is a material uncertainty exists as to whether the company will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the company be unable to continue as a going concern. Having carefully assessed the potential uncertainties relating to the company's ability to effectively fund operating expenditures, the Directors believe that the company will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Note 2. Cash and cash equivalents

| | 31 December 2020 | 30 June 2020 |
|------------|-----------------------------|-------------------------|
| | \$ | \$ |
| Petty Cash | 1 | 1 |
| | <u>1</u> | <u>1</u> |

Note 3. Trade and other receivables

| | 31 December 2020 | 30 June 2020 |
|-------------------|-----------------------------|-------------------------|
| | \$ | \$ |
| Other receivables | 16 | 16 |
| | <u>16</u> | <u>16</u> |

Island Pharmaceuticals Limited
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Notes to the financial statements
31 December 2020

Note 4. Trade and other payables

| | 31 December 2020 \$ | 30 June 2020 \$ |
|----------------|---------------------------|-----------------------|
| Other payables | <u>756</u> | <u>674</u> |

Note 5. Issued capital

| | 31 December 2020 Shares | 30 June 2020 Shares | 31 December 2020 \$ | 30 June 2020 \$ |
|------------------------------|-------------------------------|---------------------------|---------------------------|-----------------------|
| Ordinary shares - fully paid | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

Ordinary shares

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

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

Note 6. Dividends

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

Note 7. Related party transactions

The Company currently has a related party, Isla Pharmaceuticals Inc., a wholly owned subsidiary incorporated in the United States.

Transactions with related parties

There were no transactions with related parties during the current and previous financial period.

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.

Note 8. Contingent liabilities

The directors are of the opinion that there are no contingent liabilities requiring disclosure for the company as at 31 December 2020.

Island Pharmaceuticals Limited
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Notes to the financial statements
31 December 2020

Note 9. Events after the reporting period

On 26 February 2021, the Directors approved the undertaking of Initial Public Offering to issue 30,000,000 Shares at an issue price of \$0.25 per Share to raise \$7,500,000 on the Australian Stock Exchange. The Offer is not underwritten. At the date of the Prospectus, there are 14,444,882 options on issue in the capital of the Company.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Island Pharmaceuticals Limited
(Formerly known as Island Pharmaceuticals Pty Ltd)
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Paul MacLeman
Executive Chairman

1 April 2021

Independent Auditor's Review Report

To the Members of Island Pharmaceuticals Limited

Report on the review of the half-year financial report

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Conclusion

We have reviewed the accompanying half-year financial report of Island Pharmaceuticals Limited (the company), which comprises the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Island Pharmaceuticals Limited's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 1 April 2021