

31 October 2022

ASX Announcement

October 2022 Quarterly Activity Report and Appendix 4C

- Manufacture of ISLA-101 clinical drug product is complete, pending final testing
- Minor change in timeline to IND submission and commencement of Phase 2a PEACH study in Dengue fever
- Island closed the quarter with cash position in line with expectations, of A\$4m

MELBOURNE Australia, 31 October 2022: Australian mid-clinical stage antiviral drug development company, Island Pharmaceuticals Ltd (ASX: ILA; “Island”; “the Company”) pleased to release its Appendix 4C and quarterly business activities review for the three month period ended 30 September 2022 (Q1 FY23).

CEO of Island Pharmaceuticals, Dr David Foster said, *“Through the September quarter, the Island team was focused on manufacturing clinical material for the upcoming PEACH clinical trial. After engaging a new manufacturing partner, we have now manufactured both active and placebo clinical materials and are awaiting analytical results on these materials.”*

Post quarter, Island was pleased to announce that both ISLA-101 active and placebo clinical material for the upcoming PEACH clinical trial had been manufactured and are undergoing required final analysis and stability studies.

Initial trial batches produced using historic methods yielded softgels with poor physical characteristics. As such Island determined that alternative shell formulations should be pursued. This involved revising the capsule composition such that it would deliver a superior quality product. Analytical results obtained from preliminary softgel batches prepared with the improved formulation were positive, giving Island confidence that the stability of the clinical batches will be successful.

The process of reviewing and implementing the improved formulation led to a minor extension to the manufacturing process timeframe. Importantly, at this stage, there is only expected to be a small impact on the overall trial schedule. The Investigational New Drug application submission is now expected to be filed in December 2022, with the trial opening in January 2023.

Island looks forward to providing a further update once the analytical evaluation of the manufactured batches of placebo and active product is complete.

Pipeline 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 (see March quarterly, dated 28 April 2022.) Island's recently configured Scientific Advisory Board has conducted an SAB meeting to discuss pipeline expansion opportunities. To this end they will prioritise viruses identified in this analysis to nominate as targets to be investigated in the two previously announced research collaborations with Monash and Griffith Universities. In addition, other opportunities are being explored following active participation in the recent partnering and investor meetings.

Corporate summary

Island's CEO, Dr David Foster virtually attended the Pharma Meeting Brazil event from 19-21 October 2022, to discuss a detailed overview of the Company with potential pharmaceutical partners in the Latin American region, and the opportunities for ISLA-101.

Island will be providing an investor update during Share Café's 4 November 2022 Hidden Gems Webinar. Any investors interested in joining the webinar can register via the Sharecafe.com.au website, free of charge. A copy of the recording will be made available after the event.

Island's FY22 Annual General Meeting will be held on Thursday, 17 November 2022 at 11:30 am (AEDT.) Shareholders are invited to attend in person or online. Access details and voting resolutions are set out in the Company's Notice of Meeting, which is available via the ASX Announcements section of Island's website at www.islandpharmaceuticals.com. The Island team looks forward to seeing those shareholders who can join on the day.

Island's CEO, Dr David Foster will be presenting at the World Antiviral Congress in San Francisco on 29 November 2022, where he will discuss ISLA-101 and its potential role in the prevention and treatment of dengue fever. The theme of this year's World Antiviral Congress is "Bringing translational antiviral drug discovery and development to the market". More information about the event can be found [here](#).

Financial Summary

Island's cash position was A\$3.99 million as at 30 September 2022 (A\$4.79 million as at 30 June 2022). During the September 2022 quarter total cash operating outflows were approximately A\$910,000 (A\$716,000 in the prior quarter), the increase in costs are largely due to R&D costs in preparation for the Phase II clinical study.

A summary of the operating cashflows for three months ending 30 September 2022 compared with the proposed use of funds in Year 2 (twelve months) of Island's Prospectus dated 26 February 2021 is outlined below:

| | Y2 First 6 Months (A\$) | Y2 Per Prospectus (A\$) |
|--|--------------------------------|--------------------------------|
| Clinical, regulatory and implementation | 881,000 | 1,451,000 |
| IP research and development | 15,000 | 560,390 |
| Formulation development | - | 455,000 |
| Working capital and administration costs | 749,000 | 1,222,610 |
| | 1,645,000 | 3,689,000 |

During the six-month period ended 30 September 2022, overall spend was lower than estimated in the use of funds as set out in the Prospectus due to the delay of the clinical trial when compared to the estimated timing when the Prospectus was lodged. The Company expects R&D expenditure to significantly increase in the coming quarters as the Company prepares for the ISLA-101 Phase II clinical study. The Company believes the working capital outflows are consistent with the requirements for an ASX listed biotech company of its size.



In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in items 6.1 of the Appendix 4C was A\$148,000 and included Director fees, salary and short-term incentive and superannuation for the CEO/Managing Director, Executive Chair and Non-Executive directors.

Approved for release to the ASX by:

Dr Paul MacLeman
Executive Chairman
Island
Pharmaceuticals Ltd
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About Island Pharmaceuticals

Island (ASX: ILA) is a mid-clinical-stage drug repurposing company, focused on the topical area of antiviral therapeutics for infectious diseases. Our lead asset is ISLA-101, a drug with a well-established safety profile, being repurposed for the prevention and treatment of dengue² fever and other mosquito (or vector) borne diseases. The Company is close to commencing a Phase 2a clinical trial in dengue-infected subjects.

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.

Island encourages all current investors to go paperless by registering their details with the Company's share registry, Automatic Registry Services, whose contact info is housed on the Shareholder Services page of the Company's website.

Visit www.islandpharmaceuticals.com for more on Island.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ISLAND PHARMACEUTICALS LIMITED

ABN

48 641 183 842

Quarter ended ("current quarter")

30 September 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) research and development | (579) | (579) |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | (98) | (98) |
| (f) administration and corporate costs | (234) | (234) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 2 |
| 1.5 Interest and other costs of finance paid | (1) | (1) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (910) | (910) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| (f) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | - | - |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | - | - |
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 Proceeds from issue of convertible debt securities | - | - |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (18) | (18) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | (18) | (18) |
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 4,787 | 4,787 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (910) | (910) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (18) | (18) |
| 4.5 | Effect of movement in exchange rates on cash held | 135 | 135 |
| 4.6 | Cash and cash equivalents at end of period | 3,994 | 3,994 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 3,994 | 4,787 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 3,994 | 4,787 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

148

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amount at 6.1 includes Director fees, salary and superannuation for the CEO/Managing Director (including bonus/STI), Executive Chair and Non-Executive directors.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

| | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---------------------------------------|---|---|
| 7.1 Loan facilities | 171 | 171 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 171 | 171 |

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Hunter Premium Finance for insurance policies at Flat Rate of 4.96%, loan is unsecured.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (910) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 3,994 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 3,994 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 4.4 |

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: The Board of Island Pharmaceuticals Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.