

Island Pharmaceuticals Limited
Appendix 4D
Half-year report

1. Company details

| | |
|-------------------|--|
| Name of entity: | Island Pharmaceuticals Limited |
| ABN: | 48 641 183 842 |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period: | For the half-year ended 31 December 2021 |

2. Results for announcement to the market

| | | | \$ |
|--|------|----------|-------------|
| Revenues from ordinary activities | down | - to | - |
| Loss from ordinary activities after tax attributable to the owners of Island Pharmaceuticals Limited | up | 90.4% to | (1,610,783) |
| Loss for the half-year attributable to the owners of Island Pharmaceuticals Limited | up | 90.4% to | (1,610,783) |

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,610,783 (31 December 2021: \$846,022).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>3.58</u> | <u>5.31</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year Financial Report.

11. Attachments

Details of attachments (if any):

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

12. Signed

Authorised for release by the Board.

Signed  _____

Paul MacLeman
Executive Chair

Date: 23 February 2023

Island Pharmaceuticals Limited

ABN 48 641 183 842

Half-year Financial Report - 31 December 2022

Island Pharmaceuticals Limited
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31 December 2022

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Island Pharmaceuticals Limited
Corporate directory
31 December 2022

| | |
|-----------------------------|---|
| 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 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) |
| Website | www.islandpharmaceuticals.com |

Island Pharmaceuticals Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 half-year ended 31 December 2022.

Directors

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

Director

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

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.

Significant changes in the state of affairs

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

Financial update

The loss for the consolidated entity after providing for income tax amounted to \$1,610,783 (31 December 2021: \$846,022).

Island's operating cash outflows for the half year was \$1,324,836 (31 December 2021: \$719,507) and reported closing cash of \$3,433,059 at 31 December 2022 (30 June 2022 \$4,787,437).

Review of operations

During this reporting period Island progressed its plans to execute a rapid path to the clinic for ISLA-101 - a drug with a very well-known safety profile, being repurposed, initially as a potential preventative for dengue fever.

ISLA-101 trial preparation

In October 2022, the Company announced that both ISLA-101 active and placebo clinical material for the upcoming PEACH clinical trial had been manufactured and were undergoing required final analysis and stability studies. The completion of the clinical drug product followed a process of reviewing and implementing an improved formulation, as Island had determined that alternative shell formulations should be pursued to deliver a superior quality product compared to the preliminary softgel batches.

In November 2022, Island announced that the ISLA-101 capsules had completed analytical testing and further demonstrated the viability of the material for use in the Phase 2a PEACH clinical trial.

The ISLA drug product then passed its critical accelerated stability milestone in December 2022, enabling the finalisation of Island's Investigational New Drug (IND) application.

Also in December, Island was granted approval by the Institutional Review Board (IRB) for its ISLA-101 Phase 2a PEACH clinical trial to be undertaken at SUNY Upstate University in New York, pending clearance of the IND by the United States Food and Drug Administration (US FDA).

On 28 December 2022, Island submitted the IND application to the US FDA to obtain authorisation to administer its ISLA-101 drug to humans as part of the Phase 2a PEACH clinical trial.

Post the reporting period (20 January 2023) Island received feedback from the FDA that they had placed a Clinical Hold on the IND application, pending a formal letter outlining required amendments to the trial protocol. This letter was received, and 1 February 2023, Island announced it had been advised by FDA that more data was required to support the proposed dosing regime.

To obtain this data, Island is now preparing to conduct a small single ascending dose clinical trial that measures blood concentration of ISLA-101, following administration increasing doses of ISLA-101. The aim of this study is to ensure that administered doses can safely achieve blood concentrations of ISLA-101 that are predicted to be effective against the dengue virus. Island is working with vendors and consultants expeditiously as possible to formulate the most efficient clinical plan and to understand related timing.

Pipeline development and intellectual property

Island further strengthened its Scientific Advisory Board (SAB) through the period with the appointment of Dr Amy Patrick. Dr Patrick is an accomplished virologist and pharmaceutical executive with over 30 years of Research and Development experience within non-profit, start-up, and biotechnology organisations to large pharmaceutical companies.

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 2022 quarterly report, dated 28 April 2022.) Island's Scientific Advisory Board conducted an SAB meeting through the period to discuss pipeline expansion opportunities. The SAB will prioritise viruses identified in the earlier 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.

A Canadian patent grant for ISLA-101, entitled, "INHIBITION OF FLAVIVIRUSES OR CHIKUNGUNYA VIRUSES USING RETINOIC ACID ANALOGUES" was issued under Canadian Patent No 2945825 and has an expiration date of 16 April 2034. The patent covers a method of treating or preventing dengue virus or other mosquito borne virus infections with ISLA-101. Island has licensed the IP portfolio, generated by Monash University.

Corporate

Through the period the Company also presented to shareholders, potential investors and partnering targets through a number of forums.

Island's CEO, Dr David Foster attended an invitation only summit focusing on "Flaviviruses: Epidemiology, Pathogenesis, Immunology, and Countermeasure Development." Through the summit, leaders in the areas of mosquito borne diseases discussed recent scientific breakthroughs in Flavivirus research. Valuable conversations were had and connections made with key government, academic and industry experts.

Island also presented at the BIO International Conference in San Diego, CA, and attended over 40 meetings with potential partners and collaborators.

Pharma Meeting Brazil was a virtual meeting opportunity - from 19-21 October 2022, where Island attended to discuss a detailed overview of the Company with potential pharmaceutical partners in the Latin American region, and the opportunities for ISLA-101.

An investor update was provided during Share Café's 4 November 2022 Hidden Gems Webinar.

Dr David Foster presented at the World Antiviral Congress in San Francisco on 29 November 2022, where he discussed ISLA-101 and its potential role in the prevention and treatment of dengue fever. The theme of the event was "Bringing translational antiviral drug discovery and development to the market".

In early December, Dr Paul MacLeman introduced Island and the ISLA-101 program to investors in Singapore.

On 15 December 2022, Executive Chairman, Dr Paul MacLeman and CEO, Dr David Foster presented a progress update to investors via an online briefing.

On 17 November 2022, Island held its inaugural Annual General Meeting, with all resolutions passed. Island thanks those shareholders who attended and all those who voted.

Dividends

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

Matters subsequent to the end of the financial half-year

Post the reporting period (20 January 2023) Island received feedback from the FDA that they had placed a Clinical Hold on the IND application, pending a formal letter outlining required amendments to the trial protocol. This letter was received, and on 1 February 2023, Island announced it had been advised by FDA that more data was required to support the proposed dosing regime.

To obtain this data, Island is now preparing to conduct a small single ascending dose clinical trial that measures blood concentration of ISLA-101, following administration increasing doses of ISLA-101. The aim of this study is to ensure that administered doses can safely achieve blood concentrations of ISLA-101 that are predicted to be effective against the dengue virus. Island is working with vendors and consultants expeditiously as possible to formulate the most efficient clinical plan and to understand related timing.

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

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.

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 Chair

23 February 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ISLAND PHARMACEUTICALS LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 23 February 2023

Island Pharmaceuticals Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

| | Note | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|---|------|--------------------|-------------------|
| Revenue and other income | | | |
| Interest Income | | 4,559 | - |
| Total revenue and other income | | <u>4,559</u> | <u>-</u> |
| Expenses | | | |
| Research and development expenses | | (670,238) | (213,117) |
| Corporate and administration expenses | | (415,761) | (348,868) |
| Share based payment expense | | (198,802) | (169,637) |
| Employee benefits expense | | (266,564) | (126,821) |
| Professional services expenses | | (85,959) | (76,378) |
| Effect of changes in foreign exchange rates | | 30,982 | 88,799 |
| Finance costs | | (9,000) | - |
| Total expenses | | <u>(1,615,342)</u> | <u>(846,022)</u> |
| Loss before income tax expense | | (1,610,783) | (846,022) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the half-year attributable to the owners of Island Pharmaceuticals Limited | | (1,610,783) | (846,022) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>16</u> | <u>-</u> |
| Other comprehensive income for the half-year, net of tax | | <u>16</u> | <u>-</u> |
| Total comprehensive income for the half-year attributable to the owners of Island Pharmaceuticals Limited | | <u>(1,610,767)</u> | <u>(846,022)</u> |
| | | Cents | Cents |
| Basic and diluted earnings per share | 5 | (1.98) | (1.04) |

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

Island Pharmaceuticals Limited
Consolidated statement of financial position
As at 31 December 2022

| | Note | 31 Dec 2022 \$ | 30 June 2022 \$ |
|----------------------------------|------|-------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,433,059 | 4,787,437 |
| Trade and other receivables | | 15,572 | 20,890 |
| Prepayments | | 135,639 | 90,549 |
| Total current assets | | <u>3,584,270</u> | <u>4,898,876</u> |
| Total assets | | <u>3,584,270</u> | <u>4,898,876</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 6 | 512,966 | 543,210 |
| Borrowings | 7 | 108,117 | - |
| Employee benefits | | 57,007 | 37,523 |
| Total current liabilities | | <u>678,090</u> | <u>580,733</u> |
| Total liabilities | | <u>678,090</u> | <u>580,733</u> |
| Net assets | | <u>2,906,180</u> | <u>4,318,143</u> |
| Equity | | | |
| Issued capital | 8 | 19,900,792 | 19,900,792 |
| Reserves | | (10,649,530) | (10,848,350) |
| Accumulated losses | | (6,345,082) | (4,734,299) |
| Total equity | | <u>2,906,180</u> | <u>4,318,143</u> |

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

Island Pharmaceuticals Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

| | Issued capital \$ | Foreign exchange reserve \$ | Share-based payment reserve \$ | Restructure reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|-------------------------|--------------------------------------|---|------------------------------|-----------------------------|--------------------|
| Balance at 1 July 2021 | 19,825,792 | (1,190) | 1,349,796 | (12,647,904) | (2,127,413) | 6,399,081 |
| Loss after income tax expense for the half-year | - | - | - | - | (846,022) | (846,022) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | - | - | (846,022) | (846,022) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Foreign exchange reserve movements | - | 1,398 | - | - | - | 1,398 |
| Vesting of share-based payments | - | - | 169,637 | - | - | 169,637 |
| Issue of ordinary shares | 75,000 | - | - | - | - | 75,000 |
| Balance at 31 December 2021 | <u>19,900,792</u> | <u>208</u> | <u>1,519,433</u> | <u>(12,647,904)</u> | <u>(2,973,435)</u> | <u>5,799,094</u> |
| | Issued capital \$ | Foreign exchange reserve \$ | Share-based payment reserve \$ | Restructure reserve \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2022 | 19,900,792 | 1,325 | 1,798,231 | (12,647,904) | (4,734,299) | 4,318,145 |
| Loss after income tax expense for the half-year | - | - | - | - | (1,610,783) | (1,610,783) |
| Other comprehensive income for the half-year, net of tax | - | 16 | - | - | - | 16 |
| Total comprehensive income for the half-year | - | 16 | - | - | (1,610,783) | (1,610,767) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Vesting of share-based payments | - | - | 198,802 | - | - | 198,802 |
| Balance at 31 December 2022 | <u>19,900,792</u> | <u>1,341</u> | <u>1,997,033</u> | <u>(12,647,904)</u> | <u>(6,345,082)</u> | <u>2,906,180</u> |

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

Island Pharmaceuticals Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

| | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|---|--------------------|-------------------|
| Cash flows from operating activities | | |
| Payments to suppliers and employees (inclusive of GST) | (1,329,395) | (719,507) |
| Interest received | 4,559 | - |
| | <u>(1,324,836)</u> | <u>(719,507)</u> |
| Net cash used in operating activities | | |
| | <u>-</u> | <u>-</u> |
| Net cash from investing activities | | |
| | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | |
| Repayment of borrowings | (72,578) | - |
| Interest and other finance costs paid | (3,600) | - |
| | <u>(76,178)</u> | <u>-</u> |
| Net cash used in financing activities | | |
| | <u>(76,178)</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (1,401,014) | (719,507) |
| Cash and cash equivalents at the beginning of the financial half-year | 4,787,454 | 6,460,644 |
| Effects of exchange rate changes on cash and cash equivalents | 46,619 | 88,180 |
| | <u>3,433,059</u> | <u>5,829,317</u> |
| Cash and cash equivalents at the end of the financial half-year | | |

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

Note 1. General information

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

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

Island Pharmaceuticals Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2022 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities").

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2023.

Note 2. Significant accounting policies

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

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

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

Note 3. Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the six-month period ended 31 December 2022 the entity has incurred a loss after tax of \$1,610,783 and incurred a net cash outflow from operating activities of \$1,324,836. As at 31 December 2022, the group has had net assets of \$2,906,180 and cash reserves of \$3,433,059.

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 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.

Note 3. Going concern (continued)

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.

Note 4. Operating segments

A segment is a component of the Group entity that earns revenues or incurs expenses whose results are regularly reviewed by the chief operating decision makers and for which discrete financial information is prepared. The Group has no operating segments, management review financial information on a consolidated basis. They have established entities in countries other than Australia, however the activities outside of Australia are considered immaterial for the purposes of segment reporting, noting the CEO is based in the United States of America and contracted with Island Pharmaceuticals Limited.

Note 5. Loss per share

| | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|---|--------------------|-------------------|
| Loss after income tax attributable to the owners of Island Pharmaceuticals Limited | <u>(1,610,783)</u> | <u>(846,022)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | <u>81,268,468</u> | <u>81,038,960</u> |
| | Cents | Cents |
| Basic and diluted earnings per share | (1.98) | (1.04) |

Options are not considered to be dilutive therefore options are not included in the calculation of diluted loss per share. As at the reporting date there are 15,824,882 options (Dec 2021: 14,444,882) issued, there are no options issued and currently in the money that could potentially dilute basic earning per shares in the future.

Note 6. Trade and other payables

| | 31 Dec 2022 \$ | 30 June 2022 \$ |
|------------------|-------------------|--------------------|
| Trade payables | 256,098 | 240,885 |
| Accrued expenses | 247,325 | 297,500 |
| Other payables | 9,543 | 4,825 |
| | <u>512,966</u> | <u>543,210</u> |

Note 7. Borrowings

| | 31 Dec 2022 \$ | 30 June 2022 \$ |
|---------------------|-------------------|--------------------|
| Insurance Financing | <u>108,117</u> | <u>-</u> |

The interest-bearing borrowing relates to Hunter Premium Finance for insurance policies with a fixed rate of 4.96%, repayable in 10 equal instalments with the final payment in June 2023 and the loan is unsecured.

Note 8. Issued capital

| | 31 Dec 2022 Shares | 30 June 2022 Shares | 31 Dec 2022 \$ | 30 June 2022 \$ |
|------------------------------|-----------------------|------------------------|-------------------|--------------------|
| Ordinary shares - fully paid | <u>81,268,468</u> | <u>81,268,468</u> | <u>19,900,792</u> | <u>19,900,792</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.

Share buy-back

There is no current on-market share buy-back.

Note 9. Dividends

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

Note 10. Commitments and contingencies

The directors are of the opinion that there are no significant commitments and contingencies requiring disclosure for the company as at 31 December 2022 (30 June 2022: Nil).

Note 11. Events after the reporting period

Post the reporting period (20 January 2023) Island received feedback from the FDA that they had placed a Clinical Hold on the IND application, pending a formal letter outlining required amendments to the trial protocol. This letter was received, and on 1 February 2023, Island announced it had been advised by FDA that more data was required to support the proposed dosing regime.

To obtain this data, Island is now preparing to conduct a small single ascending dose clinical trial that measures blood concentration of ISLA-101, following administration increasing doses of ISLA-101. The aim of this study is to ensure that administered doses can safely achieve blood concentrations of ISLA-101 that are predicted to be effective against the dengue virus. Island is working with vendors and consultants expeditiously as possible to formulate the most efficient clinical plan and to understand related timing.

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

Island Pharmaceuticals Limited
Directors' declaration
31 December 2022

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 consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Paul MacLeman
Executive Chair

23 February 2023

Island Pharmaceuticals Limited Independent auditor's review report

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

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

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

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the consolidated group 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the half-year financial report, which reports that the consolidated group incurred a net loss of \$1,640,783 and net cash outflows used in operations of \$1,324,836 during the half year ended 31 December 2022, and the consolidated group had net assets of \$2,906,180 as at 31 December 2022. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the consolidated group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of Management for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

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

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

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 23 February 2023