For the Offer to issue 30,000,000 Shares at an issue price of $0.25 per Share to raise $7,500,000

This Offer is not underwritten

Prospectus

Island Pharmaceuticals Limited

ACN 641 183 842

Important Information:

This is an important document and it should be read in its entirety. If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional adviser for assistance. The Shares offered by this Prospectus should be considered speculative

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Important Notices

Offer
The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares **(Shares)** in Island Pharmaceuticals Limited ACN 641 183 842 **(Island or Company)**.

Lodgement and Listing
This Prospectus is dated 26 February 2021 **(Prospectus Date)** and a copy was lodged with the Australian Securities and Investments Commission **(ASIC)** on that date.

The Company will apply to ASX Limited **(ASX)** within 7 days after the Prospectus Date for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure Period
The Corporations Act prohibits the Company from processing Applications in the 7 day period after the date of Prospectus Lodgement **(Exposure Period).** The Exposure Period may be extended by ASIC by up to a further 7 days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Note to Applicants
The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 9.

There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the assumptions underlying the financial information and the risk factors that could affect the Company's business, financial condition and results of operations. No person named in this Prospectus, nor any other person guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

Specific risks as an intermediate stage biotechnology company
Applicants should carefully consider the risk factors that affect the Company specifically and generally the biotechnology industry in which it operates. Applicants should note that a company seeking to develop and commercialise a new therapeutic product and obtain regulatory approval and then secure market acceptance / market penetration is a very high risk endeavour.

Photographs and diagrams
Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Prospectus or that assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in graphs, charts and tables is based on information available as at the date of this Prospectus.

No offering where offering would be illegal
This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares and Existing Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia, other than to institutional investors as part of the Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

Important notice to Hong Kong investors
This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Important notice to Singaporean investors
This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Important notice to New Zealand investors
This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Financial information presentation
Section 6 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 6. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest $0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward looking statements
Various statements in this Prospectus may be in the nature of forward looking statements, including statements of current intentions, statements of opinion and predictions as to future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to various inherent risks and uncertainties (many of which are outside the Company's control) that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. As a result, forward looking statements should be read in conjunction with risk factors as set out in Section 9 and other information in this Prospectus.

Suitability of investment and general risk factors
This Prospectus provides information to help investors decide whether they wish to invest in the Company. Before deciding to invest in the Company, potential investors should read this entire Prospectus, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of individual investors. Please read the Application Form carefully. Professional advice should be sought before deciding to invest in any securities the subject of this Prospectus.

Disclaimer
No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, or any other person in connection with the Offer. You should rely only on information in this Prospectus.

It is expected that the Shares will be quoted on ASX initially on a deferred settlement basis. The Company, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Obtaining a copy of this Prospectus
A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Company Offer Information Line on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) from 8:30 am until 5 pm (Melbourne time) Monday to Friday during the offer period.

This Prospectus is also available to Australian resident investors in electronic form at the Offer website, www.islandpharmaceuticals.com/site/investor/prospectus. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.islandpharmaceuticals.com/site/investor/prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Defined terms and abbreviations
Defined terms and abbreviations used in this Prospectus are explained in Section 12. Unless otherwise stated or implied, references to times in this Prospectus (including references to Melbourne time) are to AEDT or AEST (as applicable in Melbourne at the time).

All money amounts in this prospectus are stated in Australian currency (AUD) unless otherwise specified.

Privacy
By completing an Application Form, you are providing personal information to the Company, and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company, and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers as authorised under the *Privacy Act 1988 (Cth)*.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Photographs and diagrams
Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Prospectus or that assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in graphs, charts and tables is based on information available as at the date of this Prospectus.

If you have any Questions
If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional adviser for assistance. The Company is unable to adviser applicants on the suitability or otherwise of an investment in the Company.

This document is important and should be read in its entirety.

Key Offer Information

The Offer

Island Pharmaceuticals Limited (ASX code: ILA) is seeking to raise $7.5 million by the issue of 30,000,000 Shares at an Offer Price of $0.25 per Share. Following the completion of the Offer the shareholding structure in the Company will be as follows:

Category	Based on Subscription of $7,500,000
Existing Shares on issue*	50,968,466
Shares offered under this Prospectus	30,000,000
Total number of Shares on completion of the Offer**	80,968,466
Offer Price	$0.25
Gross proceeds from the Offer	$7,500,000
Indicative market capitalisation at the Offer Price****	$20,242,116.38

*At the date of this Prospectus there are 14,444,882 options on issue in the capital of the Company. See Section 11.2 of this Prospectus for more details.

**The percentage of Shares in the total share capital of the Company available at Listing for investors to freely trade in the public market (i.e. "free float") will be at least 20% based on the Subscription amount.

*** Shares may not trade at the Offer price post listing on ASX.

**** This represents the Offer Price multiplied by the total number of Shares at Listing.

Indicative Key Dates*

Prospectus lodged with ASIC	**Friday, 26 February 2021**
Exposure Period Ends	**Friday, 5 March 2021**
Opening Date	**Monday, 8 March 2021**
Closing Date	**Monday, 29 March 2021**
Expected date for allocation of Shares	**Friday, 2 April 2021**
Holding Statements sent to Shareholders	**Tuesday, 6 April 2021**
Expected date for quotation of the Company's securities on ASX	**Tuesday, 13 April 2021**

* The Directors reserve the right to vary the Offer dates and to extend the Issue or to close it at an earlier date. The above dates are indicative only and may change. The Directors reserve the right to amend any and all of the above dates without notice to you including (subject to the ASX Listing Rules and the Corporations Act), to close the Offer early, to extend the Offer, to accept late Applications, either generally or in particular cases, or to withdraw the Offer before settlement. If the Offer is withdrawn before the issue of the Shares, then all Application monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Message from the Chairman

Dear investor,
On behalf of the Directors of Island Pharmaceuticals Limited (Island), it is my pleasure to invite you to become a shareholder in the Company.

Island is mid clinical-stage drug repurposing company, focused on the newsworthy area of antiviral therapeutics for infectious diseases. Our lead asset is Isla101, 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.

In its former life, Isla101 was the subject of 45 Phase I and II human clinical trials and has been administered to thousands of patients in 5 countries as well as the European Union – work which saw it verified as safe in humans by multiple regulators. While unsuccessful in its original planned uses as either cancer or respiratory therapeutics, pre-clinical work conducted at Monash University in animal and human models has demonstrated Isla101 to be extremely promising as an antiviral drug.

Given the vast body of clinical and pre-clinical data held and two approved FDA Investigational New Drug filings, the path to market for Isla101 is expected to be swifter and development costs much lower than under a traditional drug development regimen. Upon completion of this Initial Public Offering, we intend to take Isla101 into Phase II clinical efficacy studies, creating new intellectual property, in what is already a significantly de-risked clinical program.

Dengue fever is the very definition of an unmet medical need. While some may imagine that it is just a third world disease, global warming has meant that mosquitoes carrying it are travelling further, and at the time of writing, new cases had just been recorded in Miami, Florida and, as recently as 2019, in North Queensland. It is endemic in Asia, South America, Central America and Africa. While 390 million humans are infected each year, it is thought that around 30-50% people with the disease do not present with symptoms, enabling the virus to spread within communities.

There is no specific pharmaceutical treatment and the one vaccine which exists is available to a highly restricted audience. Over 400,000 people affected by disease every year could be treated if a suitable therapeutic existed.

The high case numbers, economic and health impacts and dearth of treatment options has led the World Health Organisation to declare dengue fever a priority issue, and the US Food and Drug Administration (US FDA) has made available special rewards for developers of certain mosquito borne disease treatments under its Priority Review Voucher (PRV) system. Isla101 – when targeted at dengue fever, Zika virus or chikungunya virus – may be eligible for a PRV upon approval of a New Drug Approval by the FDA. The PRV is saleable to other drug developers and enables them to bring pharmaceuticals to market six months faster than under the standard process. This makes PRVs highly attractive to major pharmaceutical companies.

Potential markets for Isla101 are driven by the range of the mosquito vector within the area between the Tropics of Capricorn and Cancer, home to half of the world's population. Furthermore, the range of the mosquito is seasonally expanding past these tropics, and in Australia now reaches down as far as Southern Queensland, and in the US the disease is endemic in Southern states such as Florida – an expansion driven in part by global climate change. People affected by the disease are those living in the area where the mosquito vector is found, travellers to these areas for work or recreation and the world's militaries, hence the interest in Isla101 by the US Military in the form of a Collaborative Research and Development Agreement (CRADA). Isla101 will ultimately be evaluated in both prophylactic mode (disease prevention) and therapeutic mode (disease treatment) with an initial focus on the dengue virus.

Island's business model is to repurpose drugs, like Isla101, and partner them with biotech or pharmaceutical companies for commercial gain. The PRV opportunity for Isla101 presents a further, highly attractive string in the Company's commercial bow. We also have access to a library of a further 4,600 compounds which may be repurposed for areas of unmet need. Our collaboration with Monash University underpins our pipeline development strategy and will also enable us to create additional shareholder value and to pivot quickly to develop drugs where urgent emerging viral disease issues arise again.

Island is led by a highly capable, experienced management team, Board of Directors and Scientific Advisory Board with extensive expertise in drug repurposing and development, infectious diseases and executing successful commercial transactions. Both the Board and management team are excited about the future opportunities for Island.

This Prospectus is offering shares in the Company at $0.25 to raise $7.5 million. Within this document is detailed information about the Offer, our operations, performance, financial position and key personnel, as well as the broader sector we operate in. It also provides detailed information on the risks associated with an investment in Island, which are set out in Section 9. I encourage you to read this Prospectus in detail before making a decision to invest.

Proceeds raised under the Initial Public Offering will enable the Company to:

(a) To support the Company's Expenditure Program including to perform a Phase 2 clinical study on our lead program, Isla101, and formulation development for commercial or follow on products;

(b) Achieve listing on the ASX, to broaden the shareholder base and provide a market for the Shares;

(c) To pay the expenses of the Offer;

(d) To provide working capital; and

(e) Meet the Company's ongoing administration and corporate overhead expenses.

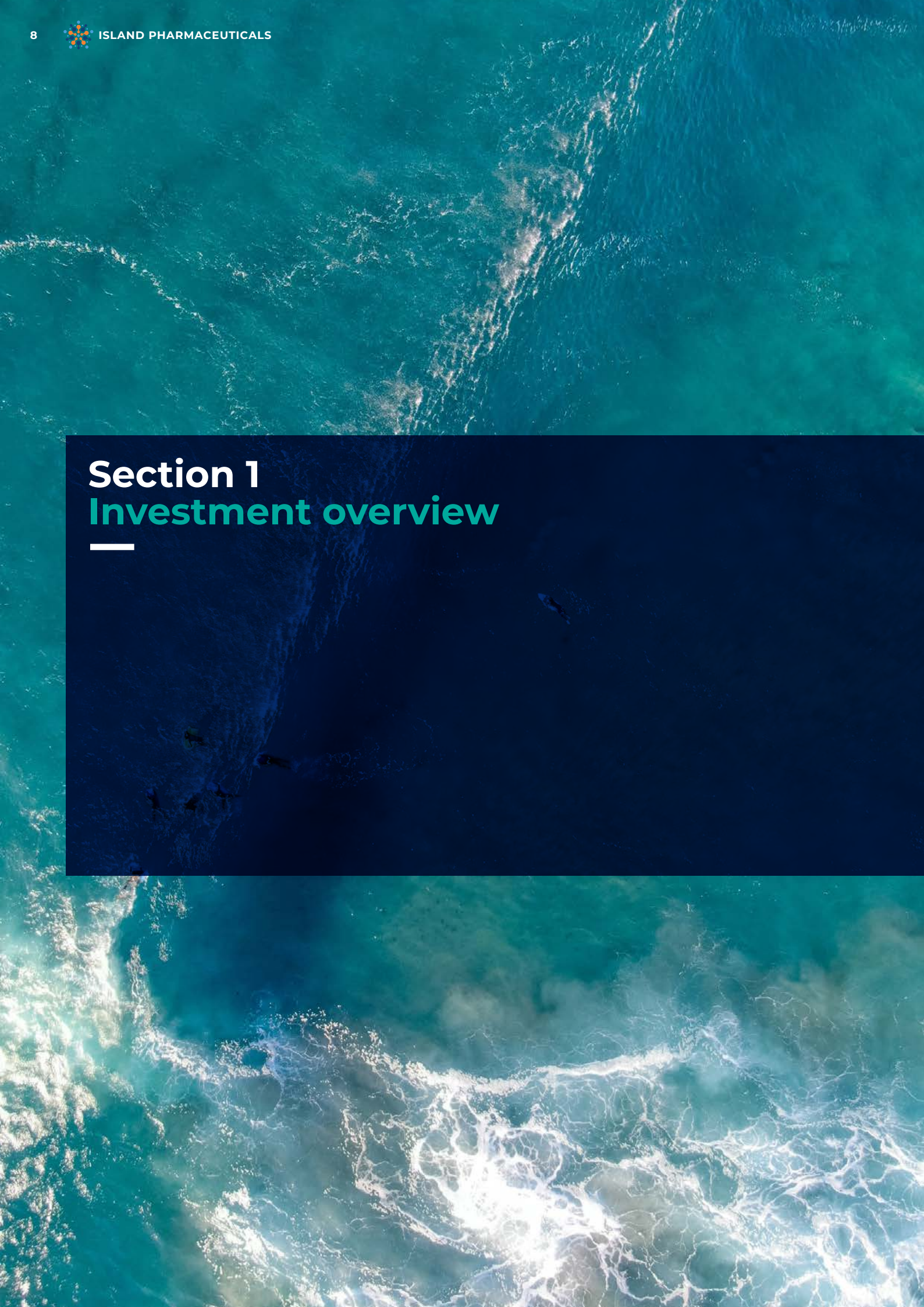
Potential investors should be aware that there are risks associated with the Island Pharmaceutical's business and therefore there are risks associated with an investment in the Company. These risks include business risks related to the sufficiency of funding, healthcare insurance and reimbursement, regulatory requirements around clinical trials and currency risks. The key risks are identified in Section 9 of the Prospectus.

I encourage you to read this Prospectus in its entirety to gain a full understanding of the Company's operations before making an investment decision.

On behalf of the Board, I commend this Offer to you and look forward to welcoming you as a fellow shareholder of the Company.

Yours sincerely,

Paul MacLeman
Chairman
Island Pharmaceuticals Limited



Section 1
Investment overview

Investment overview

This section is a **summary only** of the information contained in this Prospectus. Investors should read and consider this Prospectus in its entirety before applying for Shares in the Company.

Topic	Details	Where to find more information
A. Company and business model overview		
Who is the issuer of this Prospectus?	The issuer of this Prospectus is Island Pharmaceuticals Limited ACN 641 183 842 (**Island** or the **Company**).	Section 2.1
What is the Company's business model?	Island is a drug research and repurposing company, focused on developing preventative or therapeutic drugs for viral infections. The Company has a lead program in dengue that was initially developed by Island's wholly owned subsidiary, Isla Pharmaceuticals, Inc. (a company incorporated in the United States, referred to as **Isla US**). Isla US is currently advancing its lead drug candidate "Isla101" towards a Phase 2 clinical trial in dengue infected subjects. Isla101 also has the potential to be used to prevent or treat a number of viruses including dengue, Zika and chikungunya, and other diseases rife in tropical climates. It could potentially displace vaccines. Assuming Isla101 is given approval by the FDA, and certain other criteria are met, Isla US will be eligible to obtain a "Priority Review Voucher" at the time of approval. This means that as well as getting approval to commercialize Isla101, the Priority Review Voucher (PRV) will permit Isla US to expedite the FDA approval process for a new drug or sell the PRV to a third party. A recent PRV issued to Australian company Medicines Development for Moxidectin, an FDA-approved treatment for onchocerciasis, has been subsequently purchased by Novo Nordisk.	Section 2.1
Our approach – drug repurposing	As a drug repurposing company, we anticipate achieving a reduction in the time, cost and risk associated in the clinical and commercial development pathway to taking new products to market.	Section 2.2
What is the Company's growth strategy?	The Company intends to develop Isla101 initially to prevent and/or treat dengue virus infections. However, the program may also be applicable to other mosquito borne viruses such as West Nile, Zika, chikungunya, and yellow fever. It is possible Island may be able to create a "platform in a pill" – an orally available drug which can be used to treat a range of diseases.	Section 2.2

1. Investment overview

Topic	Details	Where to find more information
	In addition, the Company has entered into a collaborative agreement with Monash University to identify molecules with a clinical history that may be repurposed and useful as prophylactics or therapeutics against other viruses. Accordingly, the Company not only has a lead program that will enter a Phase 2 clinical trial, but also a vehicle for development of a therapeutic pipeline of molecules.	
What are the Company's key strengths/investment highlights?	The Company's key strengths and investment highlights include: • Developing a product for mosquito borne diseases such as dengue where there is a significant unmet medical need and major economic burden. • Exclusive license to underlying technology with issued Australian and Brazilian patents and patent applications pending in the US and Singapore, countries where mosquito borne diseases are an issue. • The Company's lead compound, Isla101, has been administered in 45 clinical trials in indications other than infectious diseases, including Phase I-II trials, in thousands of patients demonstrating an excellent safety profile. It has therefore been approved for human clinical trials by several international regulators. • Promising results in aggressive animal and human cellular models of dengue and Zika infections as well as data in a range of other Flaviviruses. • Island has an agreement with the National Cancer Institute in the US to use a previously approved Investigational New Drug Application, to support our Phase II Investigational New Drug (IND) application. This saves up to a decade of development time and tens of millions of dollars which would usually be required to development a new drug as far as Isla101, a Phase II ready asset. • The Company has an agreement with the US Army under which the Company is able to use a US Army developed virus in the Phase II clinical trial. The Company is collaborating with the State University of New York (SUNY) for the Phase II Clinical Trial. • The Company has potential to seek a PRV upon approval of Isla101 by the US FDA. • Island is led by a highly capable, experienced management team, Board of Directors and Scientific Advisory Board with extensive expertise in drug repurposing and development, infectious diseases and executing successful commercial transactions.	Section 3

Topic	Details	Where to find more information
How does the Company anticipate it will generate revenue?	The key milestones for the Company to achieve profitability are: • obtain approval of Isla101; and • commence sales of Isla101. The timeframe to meet the milestones noted above is contingent on a number of factors including, time frame to enroll and conduct clinical trials, preparation and submission of regulatory documents, regulatory review, launch of sales efforts. An opportunity also exists under which Island may potentially obtain a PRV once Isla101 has achieved FDA approval. The Expenditure Program as described in Section 2.5 of this Prospectus does not envisage funding for each of the milestones noted above. Further funding would be required. There is no guarantee that the milestones noted above can be achieved.	Section 3
What are the regulatory requirements the Company will need to satisfy to meet its business objectives?	Approval for the sale of drugs is highly regulated and involves pre-defined steps that ultimately aim to provide evidence of safety and effectiveness of a drug candidate before it is approved for use as a marketed treatment. As outlined in the Company's Expenditure Program, the funds raised under this Prospectus will be used to support a Phase 2 clinical trial in dengue infected individuals. In addition, funds raised under this Prospectus will be used to support a pipeline expansion program to identify molecules to repurpose as antivirals. The regulatory approval process is overseen by specific regulatory bodies, for example, in Australia new drug approvals are regulated by the Therapeutic Goods Authority (TGA) and in the United States by the Food & Drug Administration (FDA). In Europe it is the European Medicines Agency (EMA).	Section 3.7
B. Key risks		
Risk of future funding requirements	The Company has limited financial resources and will need to raise additional funds from time to time. In certain circumstances, the Company's ability to successfully operate may be subject to its ability to raise funds which will be subject to factors beyond the control of the Company and its Directors (including without limitation cyclical factors affecting the economy and financial and share markets generally).	Section 9.2.1

1. Investment overview

Topic	Details	Where to find more information
Speculative nature of investment	The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.	Section 9.1
Expenditure Program	The Company has not entered into contracts for a number of the material items covered by the Expenditure Program, nor does it have binding quotations in relation to such items. Rather the Directors have determined that following the successful close of the Offer, the Company will be well positioned to negotiate the exact terms for such contracts. It is possible that actual expenditure may be more than estimated by the Company in its anticipated Expenditure Program. This could, depending on the difference in actual costs, require the Company to seek to raise additional funding. The Directors and management have relevant industry experience and have prepared the anticipated Expenditure Program based partly on discussions with or indicative quotes obtained from potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident that the Company will be able to source suitable suppliers, there is a risk that the Company may not be able to source those suppliers at the expenditure estimated in the Expenditure Program.	Section 9.2.5
Regulatory requirements	The Company and its technology are subject to various laws and regulations including but not limited to rigorous regulatory requirements. Even where the Company is approved to proceed with clinical trials, it will take several years to complete those trials. There is a risk that the FDA may not approve Island's proposed new drug application under the United States' Federal, Food, Drug and Cosmetic Act and this would require Island to undertake more trials and cause a delay in Island's development program. There is a material risk that Island's product candidates may not ultimately satisfy the regulatory requirements nor gain approval, or that the approval process may take much longer than expected. Failure of the Company to remain compliant with these various regulatory requirements could adversely affect the Company's financial performance.	Section 9.2.7

Topic	Details	Where to find more information
Intellectual property risk	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 includes licensing rights under a licensing agreement between Isla US and Monash University, its knowhow in drug re-positioning, clinical trials and its exclusive data rights arising from its proposed clinical development work in the use of Isla101. The Company has licensed a patent portfolio including various patent applications (refer to Section 8) relating to methods of treating or preventing Flavivirus indications. 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. However 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 the granted patent is invalid or unenforceable or revoked.	Section 9.3
Intermediate stage of development	The Company's product candidates are at an intermediate human clinical stage and substantial further clinical development is necessary beyond the limited clinical trials contemplated under the Expenditure Program. If Island's product candidates are ultimately shown to be ineffective for therapeutic purposes, the Company's business, the value of its technology and resulting value of its Shares may be materially harmed.	Section 9.2.6
Key personnel	The Company currently employs or engages as consultants, a number of key members of its management and scientific team. The loss of any of these people's services could materially and adversely affect the Company and may impede the achievements of its research, drug development and commercialisation objectives. The successful development of the Company will require the services of additional staff. There can be no assurance that the Company will be able to attract appropriate additional staff and this may adversely affect the Company's prospects for success.	Section 9.2.4

1. Investment overview

Topic	Details	Where to find more information
Healthcare insurers and reimbursements	Sale of products in the future is likely to depend in part on the availability and amounts of reimbursements from health care payer organisations such as government agencies and private health insurers. The Company may be adversely affected by the nature of these reimbursements, including if there are delays or difficulties in obtaining reimbursements, the amounts of reimbursements are insufficient to enable the Company to sell its products profitably or if the products are not eligible for reimbursements altogether.	Section 9.2.3
Impact of COVID-19	The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The global economic outlook is facing uncertainty due to the COVID-19 pandemic. The Company's Directors are closely monitoring the situation and considering the impact on the Company's business from both a financial and operational perspective.	Section 9.4.8
C. Key financial information		
What is the key financial information of the Company?	**Historical statement of operations** The table below represents the summary pro forma historical results for the years ended 31 December 2018, 31 December 2019 and six months ended 30 June 2020 (including comparative information for the six months ended 30 June 2019). Further discussion regarding the summarised pro forma historical results are set out in Section 6.	Section 6.5

Topic	Details					Where to find more information
	$'000	Pro forma Year ended 31 Dec 2018	Pro forma Year ended 31 Dec 2019	Pro forma Six months ended 30 Jun 2020	Pro forma Six months ended 30 June 2019	
	FX rate (USD:AUD)	***0.748***	***0.695***	***0.658***	***0.706***	
	General and administrative expenses	(304)	(277)	(157)	(153)	
	Research and development expenses	(126)	(961)	(77)	(481)	
	Total costs and expenses	(430)	(1,238)	(234)	(634)	
	Loss from operations	(430)	(1,238)	(234)	(634)	
	Net loss	**(430)**	**(1,238)**	**(234)**	**(634)**	

Investors should note that past performance may not be an indicator of future performance.

Historical and pro forma statement of financial position.

The table below sets out the summarised reviewed historical and pro forma consolidated statement of financial position as at 30 June 2020. Details of the pro forma consolidated statement of financial position, including the pro forma adjustments are set out in Section 6.

1. Investment overview

Topic	Details	Where to find more information

As at 30 June 2020 $'000s	Island Pharmaceuticals Limited	Isla Pharmaceuticals Inc. Restructure* and pre IPO	Impact of the Offer	Pro forma
Assets				
Cash and cash equivalents	-	993	6,509	7,502
Total assets	-	993	6,509	7,502
Liabilities				
Trade payables	1	-	-	1
Accruals	-	146	-	146
Total liabilities	1	146	-	147
Net assets	(1)	847	6,509	7,335
Issued capital	-	15,963	6,410	22,374
Accumulated losses	(1)	(2,030)	(200)	(2,231)
Reserves	-	(13,086)	298	(12,788)
Total equity	**(1)**	**847**	**6,509**	**7,355**

* for a description of the Restructure, refer to section 11.2.

Where can I find financial information in relation to the Company?	See section 6 and the Investigating Accountant's Report in section 7.	Sections 6 and 7

Topic	Details	Where to find more information
D. The Company's Directors		
Who are the directors of the Company?	Dr. Paul MacLeman – Executive Chairman Dr. David Foster – Executive Director and President Mr. Albert (Al) Hansen – Non-Executive Director Dr. David Brookes – Non-Executive Director Dr. Anna Lavelle – Non-Executive Director	Section 4.1
Who are the Scientific Advisory Board of the Company?	Dr. Leigh Farrell – Chairman Dr. Simon Tucker Prof. Stephen Thomas MD	Section 4.3
What are the interests of the Directors or related parties in the Company?		Section 4.5

Director Name	Shares held as at date of Prospectus	Shares held after completion of Offer	% of total Shares held after completion of Offer
David C. Foster	5,146,829	5,146,829	6.36%
Albert Hansen (via KESA Partners)	10,837,367	10,837,367	13.38%
Paul MacLeman	85,053	85,053	0.11%

E. Major Shareholders and related party transactions					
Who are the major Shareholders and what are their interests in the Company on completion of the Offer?					Section 11.5

Shareholder Name	Shares held as at date of Prospectus	Shares held after completion of Offer	Options	% of total Shares held after completion of Offer
David C. Foster	5,146,829	5,146,829	533,333	6.36%
William J. Garner	21,090,605	21,090,605	44,836	26.05%
KESA Partners	10,837,367	10,837,367	23,030	13.38%
Manchester Explorer, L.P.	3,774,139	3,774,139	1,887,069	4.66%

1. Investment overview

<table>
<tr><th>Topic</th><th>Details</th><th>Where to find more information</th></tr>
<tr><td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td><td>
<table>
<tr><th>Name</th><th>Position</th><th>Annual Remune-ration</th><th>Shares directly held</th><th>Options held</th></tr>
<tr><td>Dr Paul MacLeman</td><td>Executive Chairman</td><td>$150,000</td><td>85,053</td><td>2,325,000</td></tr>
<tr><td>Dr David Foster</td><td>Executive Director</td><td>$250,000</td><td>5,146,829</td><td>533,333</td></tr>
<tr><td>Dr Anna Lavelle</td><td>Non-executive Director

Chair Remune-ration and Nomination Committee</td><td>$50,000</td><td>–</td><td>400,000</td></tr>
<tr><td>Dr David Brookes</td><td>Non-executive Director

Chair Risk and Audit Committee</td><td>$50,000</td><td>-</td><td>400,000</td></tr>
<tr><td>Albert Hansen</td><td>Non-executive Director</td><td>$45,000</td><td>10,837,367</td><td>423,030</td></tr>
</table>
</td><td>Section 4.5</td></tr>
<tr><td>Are there any significant related party transactions?</td><td>There are no significant related party transactions.</td><td>Section 4.6</td></tr>
<tr><td>No independent valuation</td><td>No independent valuation of the Company’s intellectual property or generally the Company’s Shares has been carried out for the purposes of this Prospectus.</td><td>Section 9.5</td></tr>
<tr><td colspan="3">F. Overview of the Offer</td></tr>
<tr><td>What is the Offer?</td><td>The Offer is an initial public offer of 30,000,000 Shares at an Offer Price of $0.25 per Share. The Maximum Subscription amount to be raised under this Prospectus is $7,500,000.

The Company has determined that the Subscription amount to be raised under this Prospectus is $7,500,000 (being 30,000,000 Shares). If this Subscription amount is not raised within 3 months from the date of this Prospectus, all Application money will be refunded in full (without interest).

All Shares issued under to this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue.</td><td>Section 5</td></tr>
</table>

Topic	Details	Where to find more information
What is the purpose of the Offer and how will the proceeds of the Offer be used?	Following close of the Offer, Company expects to have raised $7.5 million from investors. The Company intends to use these funds as follows: (a) To support the Company's Expenditure Program including to perform a Phase II clinical study on our lead program, Isla101, the formulation development for commercial or follow on products, and the Company's Pipeline development; (b) Achieve listing on the ASX, to broaden the shareholder base and provide a market for the Shares; (c) To pay the expenses of the Offer; (d) To provide working capital; and (e) Meet the Company's ongoing administration and corporate overhead expenses.	Section 2.5
Use of funds / Expenditure Program	The intended use of the funds raised under the Offer is summarised in the table below:	Section 2.5

Use of Funds / Expenditure Program*	$7,500,000 Subscription
Clinical, regulatory and implementation of proposed Isla101 development- Phase II study	$3,478,000
IP Research and development	$699,390
Formulation development	$455,000
Working Capital	$2,417,610
Expenses of the Offer	$450,000
Total	**$7,500,000**

*This anticipated Expenditure Program may vary from the actual expenditure.

**This item of expenditure may be required to be paid in US dollars. For the purpose of this Prospectus, the expenditure has been calculated based on an exchange rate of 0.77. Where there is movement in the exchange rate from the assumed rate, the movement will either increase or decrease in additional capital reserves. The Company does not intend to implement hedging or derivative cover in respect of such payment obligations.

Based on the Subscription, the Company intends to undertake a program of work described in its Expenditure Program (above) over a 12 month period commencing from the date of Listing.

1. Investment overview

Topic	Details	Where to find more information
Working capital	On completion of the capital raising under this Prospectus, the Company will have sufficient working capital to carry out its stated objectives (as detailed in this Prospectus).	Section 2.5
How does the Company expect to fund its operations?	The Company expects to principally fund its future operations through the funds raised under this Offer. The Directors have made enquiries and believe that the Company will have sufficient cash flow from the Company's operations to meet its business needs over a 12 month period commencing from the date of Listing.	Section 2.5
How is the Offer structured and who is eligible to participate in the Offer?	The Offer is a Broker Firm Offer, being an offer to Australian retail clients of the Broker who have received a firm allocation from their Broker.	Section 5.2
Is the Offer underwritten?	The Offer is not underwritten. However, PAC Partners Securities has been appointed as Lead Manager of the Offer.	Section 5.3
ASX listing application	Not later than 7 days after the date of this Prospectus, application will be made to the ASX for the Company to be admitted to the Official List of the ASX and for the Official Quotation of the Shares. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the value or merits of the Company or of the Shares offered under this Prospectus. Official Quotation, if granted, will commence as soon as practicable after the issue of transaction holding Statements to successful Applicants. If permission for quotation of the Shares is not granted within 3 months after the date of this Prospectus, all Application money will be refunded without interest.	Please see the "Key Offer Information" section

Topic	Details	Where to find more information
How do I apply for Shares?	By completing and submitting a valid Application Form accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form and Application Monies with the Broker from whom you received your firm allocation of Shares. Applications under the Broker Firm Offer must not be sent to the Share Registry. All Application money will be held on trust in a separate bank account which has been opened only for this purpose until the Shares are issued and allotted under the Offer or the Application money is returned to the unsuccessful Applicants. Applications must be for at least 8,000 Shares at an aggregate subscription price of $2,000 or a greater number in multiples of 4,000 Shares at an aggregate subscription price of $1,000. The Offer Price of $0.25 per Share is payable in full on Application.	Section 5.5
Opening and closing of the Offer	Applications may be lodged at any time after the Opening Date until 5.00 pm (Melbourne time) on the Closing Date.	Please see the "Key Offer Information" section
Allocation policy	The Company reserves the right to authorise the issue of a lesser number of Shares than those for which Application has been made or to reject any Application. Where no issue or allocation is made or the number of Shares issued is less than the number applied for, surplus Application money will be refunded without interest. If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat an Application as valid, and how to construe, amend or complete it, will be final. The Company's decision on the number of Shares to be allocated to an Applicant will also be final.	Section 5.3
Are there any additional costs payable by the Applicant?	No brokerage, commission, stamp duty or any other costs are payable by Applicants on acquisition of the Shares under the Offer.	Section 5.3

1. Investment overview

Topic	Details	Where to find more information
Will I be paid dividends?	The Directors do not envisage that the Company will earn any material revenue or be in a position to declare any dividends in the foreseeable future. The financial prospects of the Company are dependent on a number of factors, including without limitation successful clinical trials, approval of our lead program and commercial success once sales of our lead molecule are launched. In light of these factors and having regard to ASIC Regulatory Guide 170, the Directors consider at this stage the Company is unable to provide potential investors with reliable revenue, profit or cash flow projections or forecasts. An investment in Island Pharmaceuticals is a long-term investment, with long development time frames and no dividends should be expected in the short term.	Section 5.3
What are the tax implications of investing in the Shares?	The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. The Company accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore regarding the appropriate tax treatment that applies to the Offer, it is the responsibility of any Applicant who makes an Application to satisfy themselves by consulting their own professional tax advisers prior to investing in the Company.	Section 10
Where can I find more information about this Prospectus or the Offer?	Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Company on 1300 288 664 (within Australia) or on +61 2 9698 5414 (outside Australia).	

Section 2
Company overview

2. Company Overview

2.1 About the Company

The Company is a drug research and repurposing company, focused on developing preventative or therapeutic drugs for viral infections. The Company is currently a related party of Isla Pharmaceuticals, Inc., a company incorporated in the United States (Isla US). When the Company is admitted to the official list of ASX, immediately prior to its listing the security holders of Isla US will exchange their Isla US securities for securities in the Company. As a result, upon listing Isla US will be a wholly owned subsidiary of the Company, and Isla US's previous security holders will instead be security holders of the Company.

Isla US was initially established as a repository for intellectual property (IP) created by Monash University. The IP was produced as part of a research project undertaken by Monash University that led to a drug candidate, Isla101 for repurposing. Isla101 is indicated for the prevention and/or treatment of mosquito borne viruses.

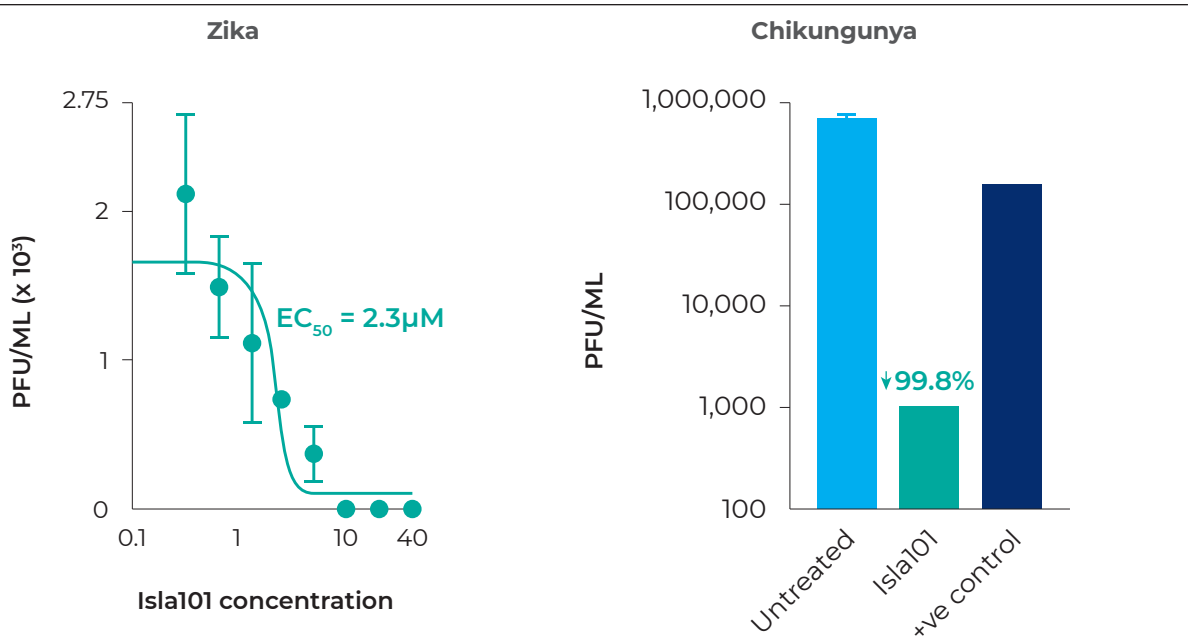
2.2 The Company's business model

The Company's lead product candidate is Isla101 for the treatment and/or prevention of mosquito borne viruses, such as dengue fever. Isla101 was identified from a library of small molecules that demonstrated activity in screens for molecules that prevented cells being infected by the dengue virus. Upon identifying the exciting biological activity against these viruses, it was recognised that Isla101 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. Isla101 has now 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 has been licensed by Island. The portfolio is directed to methods of treating or preventing infections by these viruses with fenretinide. Patent applications are pending in Australia, the United States, Canada, Brazil and Singapore. Patents have been issued in Australia and Brazil (see Intellectual Property Report, Section 8).

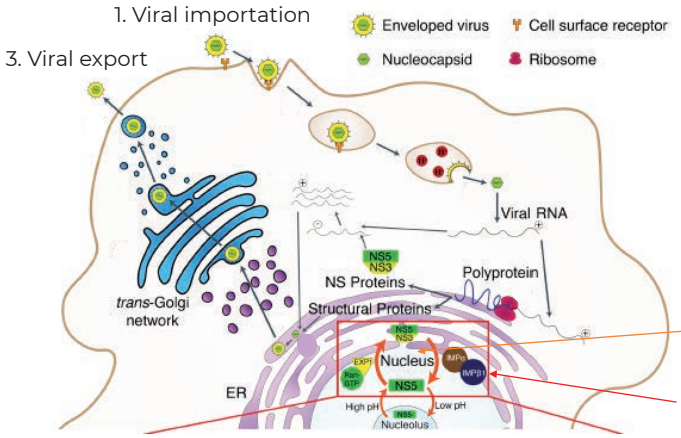
2.2.1 How does Isla101 work against Flaviviruses?

Pre-clinical studies have shown that Isla101 is effective in protecting against several dengue strains as well as other viruses. It has been demonstrated pre-clinically in dengue 1, dengue 2, dengue 3, dengue 4, Zika, West Nile, chikungunya, and yellow fever. Importantly, Isla101 showed a very strong dose response in decreasing viral load.



A conserved feature of the mosquito borne viruses targeted by Isla101 is the requirement that a particular viral protein enter the host cell nucleus. Based on the studies at Monash University, it has been demonstrated that Isla101 prevents nuclear entry of this protein, preventing propagation of the viral infection. In addition, studies from Monash University and Harvard University demonstrate that this activity is protective in animal models of dengue infection and Zika infection, respectively. As such, Isla101 is designed to act as an inhibitor to target the stages and proteins of Flaviviruses, as shown in the illustration below.

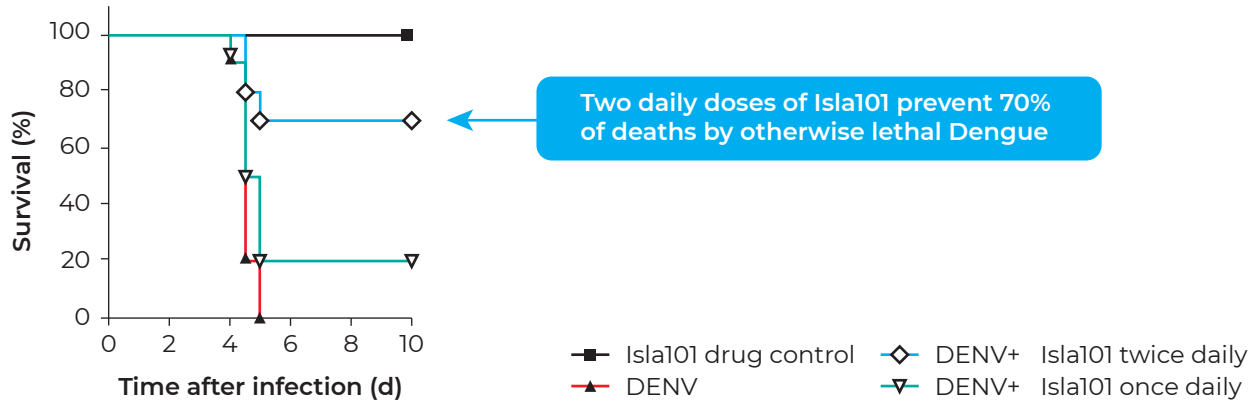
FIGURE 2.2.1: MECHANISM OF ACTION FOR ISLA101



- To replicate, the virus needs to hijack the nucleus of the host cell
- Studies demonstrated ISLA101 prevents this so prevents virus replication
- Same mechanism of action for a therapeutic or prophylactic - either before or after exposure to the virus

ISLA101 targets protection of the nucleus

Isla101 has also been shown to be protective in animal models of both dengue and Zika Virus.



2.2.2 Drug repurposing expedites Isla101 clinical development

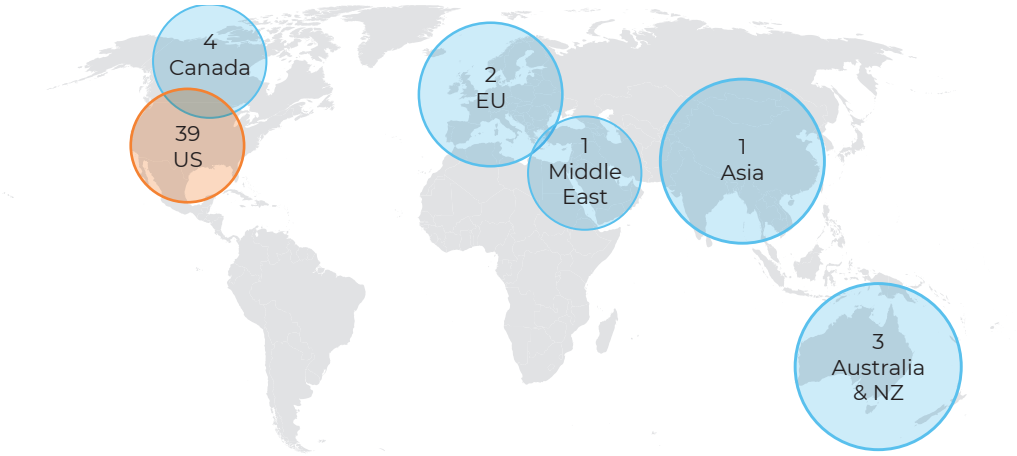
Island is a drug development and repurposing company, focused on repurposing and clinical development solutions for viral diseases with no existing therapies, with a Phase II lead program for tropical diseases currently underway.

Drug repurposing involves establishing new medical uses for already known drugs, including approved drugs, discontinued drugs and drugs already trialled in humans for other diseases. Island is using a biology and known viral target-driven approach to develop and identify developmentally advanced drugs for other diseases that can then be used as novel antiviral drugs. This approach to drug development has the potential to dramatically reduce development time, risk and cost.

Island's drug repurposing strategy leverages previous information and research by other parties into manufacturing development, pre-clinical work and clinical studies in humans in order to rapidly enter into Phase II clinical trials for Island's drug development. Isla101 was originally identified by Johnson & Johnson and studied for its antitumor and chemo-preventive properties in numerous clinical trials, including in 'Phase III' clinical trials, taking Isla101 through 45 clinical trials and 1000's of patients. Many of these trials are multinational and even within countries there are multiples trial sites and hence oversight, resulting in extensive review of the drug's safety and suitability to be administered to human subjects.

2. Company Overview

FIGURE 2.2.2: GEOGRAPHIC DISTRIBUTION OF PREVIOUS ISLA101 CLINICAL TRIALS



These clinical trials have shown Isla101 to be a safe drug in humans and has substantially de-risked Isla101 for the re-purposed anti-viral solution that the Company is pursuing. As such, there is considerable information regarding the safety and bioavailability of Isla101 in the clinic.

2.2.3 Clinical development of Isla101 for dengue fever

The Company is well advanced at the Phase 2 stage of the clinical approval process and well positioned to execute a rapid path to the clinic for Isla101.

Based on the significant clinical experience with Isla101, the Company is able to leverage publicly available information as well as data from a previously filed IND in the US to expedite its path into the clinic through the following means:

A Isla US has entered into an agreement with the National Cancer Institute in the US to use a previously approved IND Application, to support the Company's Phase II IND.

B Isla US has entered into a cooperative research and development agreement (**CRADA**) with the US Army Medical Materiel Development Activity, a subordinate laboratory of the U.S. Army Medical Research and Materiel Command, under which Isla US. is permitted to access the US Army Medical Materiel Development Activity's control data from a number of subjects, reducing the total number of subjects needed in Isla US' clinical protocol and access data contained within the US Army Medical Materiel Development Activity's Investigational New Drug filing with the U.S. Food and Drug Administration. The Company plans to use a US Army developed "virus challenge model" in the Phase II Dengue Human Infection Model (DHIM), Phase II clinical study for Isla101. A challenge model is one where the participants are intentionally challenged (whether or not they have been vaccinated) with an infectious disease organism. This challenge organism may be close to wild-type and pathogenic, adapted and/or attenuated from wild-type with less or no pathogenicity, or genetically modified in some manner.

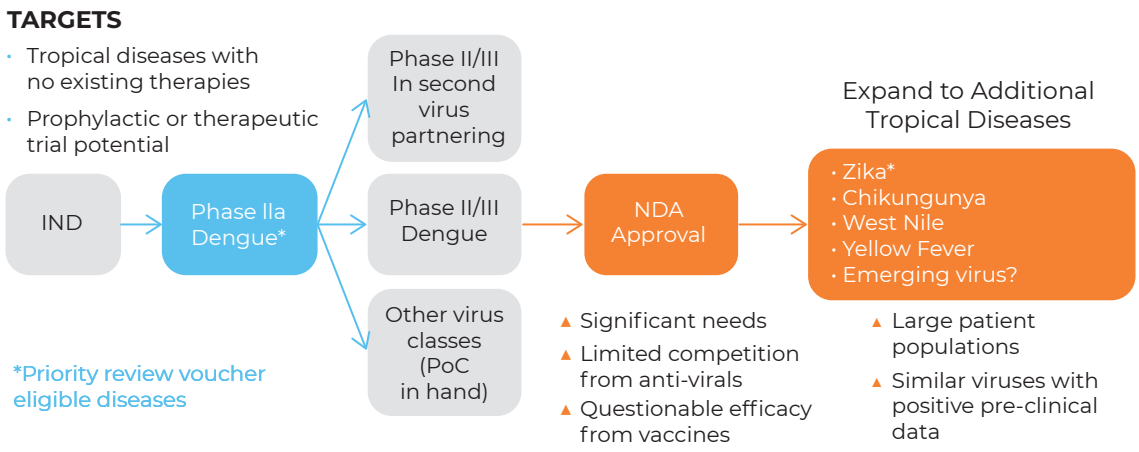
C Isla US has entered into a supply agreement with Catalent Pharma Solutions (Catalent) (Softgel Supply Agreement). Under the Softgel Supply Agreement, Catalent has agreed to develop and manufacture Fenretinide 100 mg softgels, to support Phase II clinical trials for Isla101 in dengue trial participants.

With these data points, the Company has undertaken very positive engagement with the US FDA in a pre-Investigational New Drug (IND) meeting whereby the US FDA agreed with the group's proposal to engage in the DHIM in a Phase II clinical plan. Isla US has entered into an agreement with Camargo Pharmaceutical Services LLC (Camargo), under which Camargo has agreed to develop a nonclinical, clinical, clinical pharmacology and biopharmaceutics strategy and program proposed to the FDA in the Pre-IND meeting for Isla101. Upon completion, the IND application will be filed with the FDA. These factors should de-risk the Company's IND Application as it can rely on previously approved FDA data and strategy.

Based on the trial design to be submitted under the IND application, the Company is collaborating with the State University of New York (SUNY) Upstate in Syracuse for the Phase II Clinical Trial. An agreement is currently being negotiated for the initiation of the trial. The Company will be pursuing a prophylactic study in a Dengue Human Infection Model, developed by the US Army, in which healthy subjects are infected with an attenuated (weakened) dengue virus and infection is studied in a controlled setting. This cutting-edge trial design provides significant competitive advantages, including the low number of subjects needed and the ability to control variables with strict enrolment criteria.

2.2.4 Pipeline opportunities for Isla101

While Isla101 is an oral formulation, the Company is also considering alternative formulations, including a long acting oral formulation and intravenous (iv) formulations for severe dengue infections.



2.3 Favourable regulatory pathway under the US FDA

Should Isla101 be given approval by the FDA, and if certain other criteria are met, it is expected that Isla US may obtain a "Priority Review Voucher" at the time of approval. This means that as well as getting approval to manufacture and sell Isla101, the Priority Review Voucher will permit Isla US to expedite the FDA approval process for a new drug or sell the voucher to third party. Moreover, while the number of dengue-infected patients in the world is large, in the US it may be classified as an orphan indication, providing for regulatory and tax incentives.

2.4 A pipeline of molecules for product repurposing focused on viral disease

In addition to the Company's lead program Isla101, which is focused upon clinical development of the lead against a range of Flaviviruses with an initial focus on dengue fever, the Company has research collaborations aimed at developing a robust anti-viral drug repurposing pipeline. Not restricted to the mosquito borne viruses, this will generate new clinical phase assets against other viral diseases that will add value and de-risk the Company's activities and investment profile.

2.4.1 Monash University: target-driven discovery approach

Prof. David Jans' biochemistry and molecular biology laboratories at the Monash Biomedical Discovery Institute have specific expertise around a class of host (human) target proteins that allow viral replication in a range of diseases. Under a Research Collaboration Agreement, the Company will engage Monash University to screen known drugs against these host targets in Monash University's established functional assays. This builds upon the fenretinide discovery that emanated from these laboratories that the Company has licensed for use against Flaviviruses. This will include biologic screens and ultimately testing in human cells and animal models for efficacy.

2. Company Overview

2.4.2 Compounds Australia

The Company has entered in discussions regarding accessing Australia's largest drug library, Compounds Australia. This library contains approximately four and a half thousand molecules that can be searched to identify which of these has been administered to humans and so is suitable for re-purposing. Other libraries exist at Monash Universities and elsewhere within Australia. Internationally many more exist in both the academic and commercial space.

2.5 Overview of the Company's Expenditure Program and anticipated use of funds from the proceeds of the Offer

The purpose of the Offer is to raise funds to:

- achieve a listing on the ASX to broaden the Company's investor base;
- perform a Phase 2 clinical study on our lead program, Isla101;
- formulation development for commercial or follow on products; and
- meet the Company's ongoing administration and corporate overhead expenses.

The Directors are satisfied that following the successful close of the Offer and from the application of existing funds, the Company will have sufficient working capital to meet its stated objectives.

The following table shows the application of funds over two years:

Uses of funds	Year 1	%	Year 2	%
Clinical, regulatory and implementation of proposed Isla101 development- Phase 2 study	$ 2,027,000.00	53.19%	$ 1,451,000.00	39.33%
IP research and development	$ 139,000.00	3.65%	$ 560,390.00	15.19%
Formulation development	–	–	$ 455,000.00	12.33%
Expenses of the Offer	$ 450,000.00	11.81%	–	–
Working capital and administration costs	$ 1,195,000.00	31.36%	$ 1,222,610.00	33.14%
	$ 3,811,000.00	**100%**	**$ 3,689,000.00**	**100%**

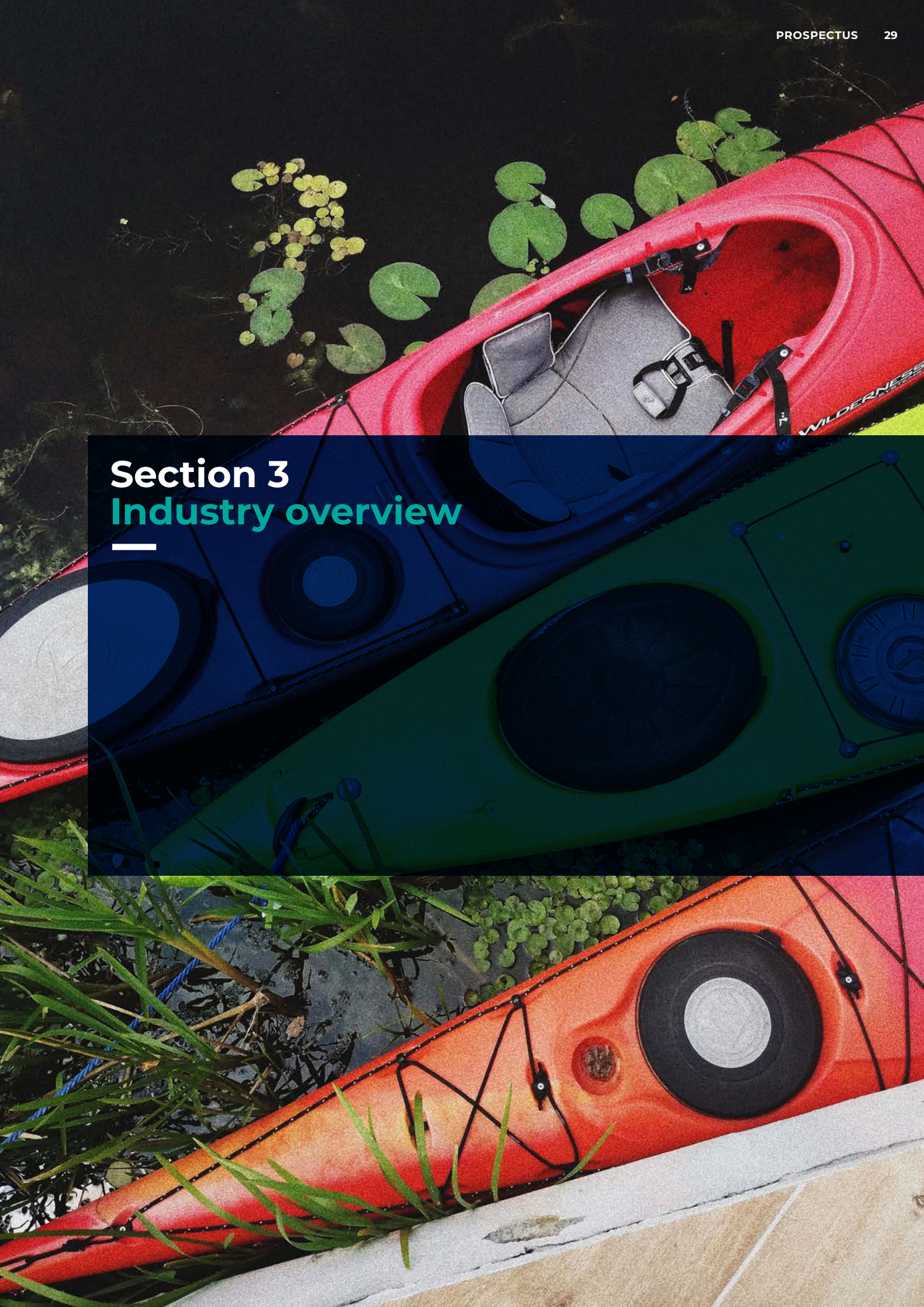
This table is a statement of current intentions as at the date of this Prospectus. Actual use of funds may differ from the budgeted use of funds based on changes in clinical trials budget or formulation development expenses. The Board may alter the way funds are applied in the future.

The Company's current intention where the results of its proposed Phase 2 trial are positive, is either (i) to license Isla101 to a large partner; or (ii) to sell the rights to that compound or (iii) seek to raise further capital to fund continued development of that compound.

A successful sale or licensing program or in the alternative the raising of additional funds, could provide the Company with funding to pursue development of its technology in other therapeutic indications.

2.6 Other potentially competitive companies

The Company is not aware of any entity directly competing with its technology using Isla101 against mosquito borne viruses. However, there are other groups developing molecules against dengue, including small molecule drug candidates and vaccines. In addition, there are other companies developing our lead product candidate for other indications, including other viral infections.



Section 3
Industry overview

3. Industry overview

3.1 Introduction

Island Pharmaceuticals is a company focused on the rapid development of treatments for tropical infectious diseases. Island is focused on diseases caused by Flaviviruses, including:

(a) dengue viruses;

(b) West Nile virus;

(c) yellow fever virus;

(d) Japanese encephalitis virus;

(e) Zika virus; and

(f) Others such as Murray Valley Encephalitis virus and Kunjin virus.

Other tropical diseases including chikungunya are likely to form a secondary platform of products pursued by Island.

Island's treatments for these tropical diseases focuses on pharmaceutical development using drug repurposing. Drug repurposing is a strategy for identifying new therapeutic uses for approved or investigational drugs, potentially delivering productivity gains through reduced risk and improved speed to market.[1]

3.2 Vector borne diseases

Vectors are living organisms that can transmit infectious pathogens between humans, or from animals to humans. Many of these vectors are bloodsucking insects, which ingest disease-producing microorganisms from an infected host (human or animal). They then transmit the disease to a new host via a bite. Often, once a vector becomes infectious, they are capable of transmitting the disease for the rest of their life during each subsequent bite.

Vector-borne diseases account for more than 17% of all infectious diseases, causing more than 700,000 deaths annually. The most prevalent vector borne disease is malaria. Malaria is a parasitic infection transmitted by Anopheline mosquitoes and is the disease most comparable to those being pursued by Island Pharmaceuticals. The World Malaria Report 2018 by World Health Organization (WHO) estimates over 219 million cases and nearly 435,000 malaria-related deaths in 2017. Most of the deaths occur in children under the age of 5 years.[2] The global antimalarial drugs market accounted for US$711 million in 2018 and is expected to reach US$1 billion by 2026, registering a CAGR of 4.6% from 2019 to 2026.[3] Similar to flaviviruses (see below), the major factors driving growth of the antimalarial drugs market includes the rise in prevalence of malaria in in both developed and developing countries, as well as rising awareness of initiatives by governments and an expansion in the geographical range of the mosquito vectors.

Within the category of vector borne disease are viral infections transmitted to humans by insects (e.g. mosquitoes) and arachnids (e.g. ticks). These diseases, range in severity from no symptoms to mild flu-like symptoms to very severe symptoms. Avoiding parasite bites is key to preventing these potentially very serious viral infections. There are over 130 different arboviruses that affect humans.[4] Dengue is the most prevalent viral infection transmitted by Aedes mosquitoes. More than 3.9 billion people in over 129 countries are at risk of contracting dengue, with an estimated 96 million symptomatic cases and an estimated 40,000 deaths every year.[5]

[1] TT Ashburn, KB Thor - Nature reviews Drug discovery, 2004
[2] https://www.who.int/en/news-room/fact-sheets/detail/dengue-and-severe-dengue
[3] https://www.alliedmarketresearch.com/anti-malarial-drug-market
[4] https://www.medicalnewstoday.com/articles/318645
[5] https://www.who.int/news-room/fact-sheets/detail/vector-borne-diseases

There are many types of arboviruses. The different types of arbovirus are broken down into specific types. Three main types of arboviruses that cause infections in humans are:

(1) Flavivirus: see below

(2) Togavirus: Members of this family are frequently referred to as alphaviruses. With the exception of rubella, most togaviruses exist in well-defined geographical areas where mosquito vectors and host species determine the extent of virus survival and spread to humans. Important pathogens include the three equine encephalitis viruses of the Americas. Chikungunya virus is a togavirus which is widely recognized as a significant cause of febrile illness accompanied by arthralgia and is a growing tropical disease threat.[6]

(3) Bunyavirus: Bunyaviruses result in acute infections in humans, with a short period of viremia and no long-term or latent maintenance of the virus.[7]

3.2.1 What are Flaviviruses?

Flaviviruses (family Flaviviridae) are small (about 50 nm in diameter), enveloped, icosahedral viruses that possess a positive-strand RNA genome of 9–12 kb. The flavivirus family includes many mosquito-borne viruses, such as yellow fever virus, West Nile fever virus, Zika and dengue fever virus, as well as blood-borne Hepatitis C virus.[8]

3.2.2 How does Flavivirus affect humans?

The clinical presentation of acute flavivirus infection in humans ranges from mild illness (asymptomatic infection or self-limiting febrile episodes) to severe and life-threatening disease (haemorrhagic fever, shock syndrome, encephalitis, paralysis, congenital defects, hepatitis and hepatic failure) and death. Individual flavivirus infections fall into two broad categories, visceral and neurotropic, although some (for example, Zika) have features of both. Variability in disease presentation among individual flaviviruses likely reflects the unique cellular and tissue tropism of each virus, differences in their capacity to evade or antagonize host immunity, and the interplay between the direct pathogenic effects of virus infection and injury caused by the requisite host response.

3.3 Flaviviruses are becoming a global issue

Over the last 30 years, the emergence and/or resurgence of arboviruses has posed a considerable global health threat. The ongoing geographical expansion of the dengue viruses, along with the explosive outbreaks of West Nile virus, chikungunya virus and more recently, Zika virus have all served as reminders that new epidemics may emerge at any time [9].

The epidemic potential of arbovirus, and in particular, flaviviruses reflects many factors related to the unique characteristics of their insect vectors, the consequences of poorly planned urbanization that creates ideal breeding habitats, the geographical expansion of vectors, changing environmental conditions and extensive global travel.[10] Table 1 illustrates the key flaviviruses, their geographic distribution, how they are transmitted and average infection rates.

[6] https://www.sciencedirect.com/topics/neuroscience/togaviruses
[7] https://www.sciencedirect.com/topics/medicine-and-dentistry/bunyaviridae
[8] https://www.sciencedirect.com/science/article/pii/B9780128008386000126
[9] Dengue and Zika: Control and Antiviral Treatment Strategies pp 1-10
[10] Dengue and Zika: Control and Antiviral Treatment Strategies pp 1-10

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Table 1: Transmission routes and diseases caused by Flaviruses

Virus	Antigenic group	Primary geographic distribution	Zoonotic reservoir	Transmission vector and route	Human disease	No. of human infections
Dengue	Dengue	South America Central America North America Asia Australia Africa	Non-human primates (sylvatic cycle)	*A. aegypti* *A. albopictus*	Dengue fever Severe dengue (vascular leakage, shock)	390 million infections per year (~30-50% are symptomatic)
Zika	Spondweni	Central America South America Africa Asia North America	Non-human primates (sylvatic cycle)	*A. aegypti* *A. albopictus* *Sexual transmission* *Vertical (mother to fetus)*	Febrile syndrome Guillian-Barré syndrome Congenital anomaly Microcephaly	Thousands to millions depending on the year (since 2013)
West Nile	Japanese encephalitis	North America Middle East Africa Europe Australia	Birds	*C. pipiens* *C. tarsalis*	Febrile syndrome Meningitis Encephalitis Acute flaccid paralysis	<10,000 cases per year
Japanese encephalitis	Japanese encephalitis	Asia Australia	Birds Pigs	*Culex tritaeniorhynchus* *Culex annulirostris*	Febrile syndrome Meningitis Encephalitis	70,000 cases per year
Yellow fever	Yellow fever	Africa South America	Non-human primates (sylvatic cycle)	*A. aegypti*	Febrile syndrome Liver failure Haemorrhagic syndrome	130,000 severe cases per year (>50% case fatality rate)
Powassan	Tick-borne flavivirus	North America Eastern Europe	Rodents Lagomorphs Deer	*I. cookei* *I. scapularis*	Febrile syndrome Meningitis Encephalitis	Hundreds
Usutu	Japanese encephalitis	Africa Europe	Birds	*C. pipiens*	Febrile syndrome Meningitis Encephalitis Acute flaccid paralysis	Hundreds to thousands

Virus	Antigenic group	Primary geographic distribution	Zoonotic reservoir	Transmission vector and route	Human disease	No. of human infections
Ilheus	Japanese encephalitis	South America Central America	Birds Non-human primates Horses	*C. pipiens Ochlerotatus serratus Sabethes Haemogogus*	Febrile syndrome Encephalitis	Unknown
Rocio	Japanese encephalitis	South America (Brazil only)	Birds	*C. pipiens C. tarsalis Psorophora ferox*	Febrile syndrome Encephalitis	Unknown
Wesselsbron	Yellow fever	Africa	Cattle Sheep Rats	*Aedes spp. (Aedes caballus and Aedes circumluteolus)*	Febrile syndrome	Unknown
Spondweni	Spondweni	Africa North America	Non-human primates (sylvatic cycle)	*Aedes, Culex, Eretmapodites and Mansonia*	Febrile syndrome Vascular leakage (shock) Neurological impairment	Unknown

This Table describes the primary geographic distribution, zoonotic reservoir, insect vector, clinical syndrome and estimated number of infections for a given flavivirus.

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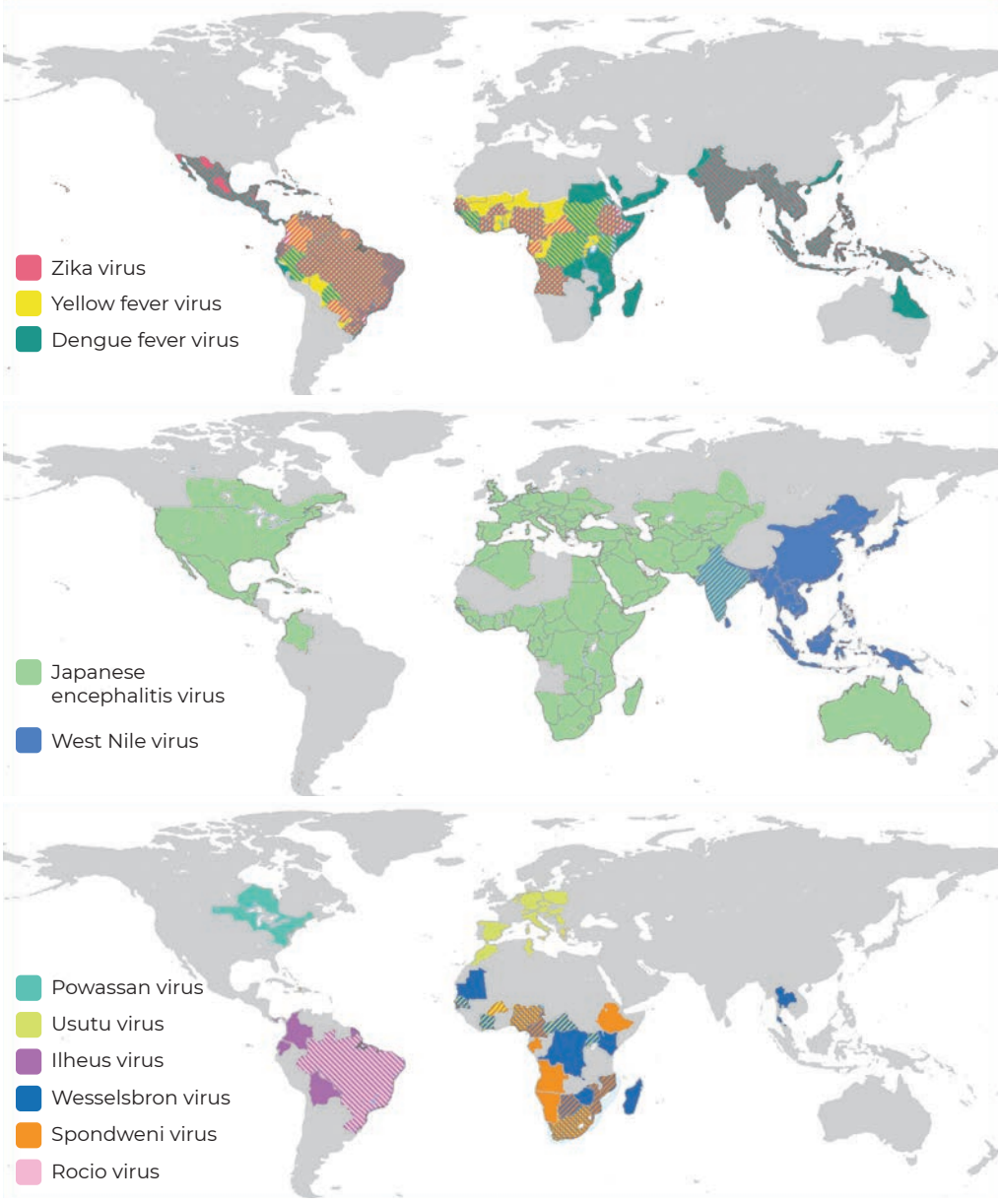
Figure 3.3 illustrates the geographic distribution and spread of these diseases from tropical environments to a broader geographic coverage. This reflects the effect of climate change as changes to climate results in equatorial and traditionally tropical environments expanding across the globe.

FIGURE 3.3: GLOBAL DISTRIBUTION OF FLAVIVIRUSES.



a. The global distribution of Aedes-transmitted flaviviruses Zika, Yellow Fever, and Dengue
b. The global distribution Japanese Encephalitis virus and West Nile Virus.
c. The approximate geographic locations of flaviviruses with the potential for emergence in human populations.

Flaviviruses are also known to infect a wide array of animal species. Infection can threaten economically important domesticated animals which become hosts for the disease. These animal hosts may constitute important stable disease reservoirs and may support the introduction of new viral species and transmission among humans.

The continued threat of flavivirus emergence and re-emergence highlights a need for a detailed fundamental understanding of the biology of these viruses, the immune responses that can contain them and the possible countermeasures that can blunt their impact on public health, should new outbreaks occur.[11]

[11] Nature Microbiology | VOL 5 | June 2020 | 796–812 | www.nature.com/naturemicrobiology

3.3.1 Dengue Fever

Dengue fever and dengue haemorrhagic fever is the most important arboviral disease of humans. Dengue is widespread throughout primarily urban tropical areas. Local prevalence and risk of infection is influenced by rainfall, temperature, relative humidity and unplanned rapid urbanization. Dengue is transmitted by female mosquitoes mainly of the species *Aedes aegypti* and, to a lesser extent, *Ae. Albopictus* which are found in primarily in tropical zones.

Dengue is caused by four distinct, but closely related, serotypes of the virus (DENV-1, DENV-2, DENV-3 and DENV-4). Recovery from infection is believed to provide lifelong immunity against that serotype. However, subsequent infections (secondary infection) by other serotypes increase the risk of developing severe dengue or dengue haemorrhagic fever. As such, dengue causes a wide spectrum of disease, ranging from subclinical disease (people may not know they are even infected) to severe flu-like symptoms in those infected, to dengue haemorrhagic with any number of complications associated with severe bleeding, organ impairment and/or plasma leakage. Dengue haemorrhagic fever has a higher risk of death when not managed appropriately. Dengue haemorrhagic fever was first recognized in the 1950s during dengue epidemics in the Philippines and Thailand. Dengue haemorrhagic fever is a leading cause of hospitalization and death among children of many Southeast Asian countries.[12]

Dengue has distinct epidemiological patterns, associated with the four serotypes of the virus. These can co-circulate within a region, and indeed many countries are hyper-endemic for all four serotypes. Dengue has an alarming impact on both human health and the global and national economies. It is frequently transported from one place to another by infected travellers; when susceptible vectors are present in these new areas, there is the potential for local transmission to be established.[13]

In the past 30 years, there has been a dramatic global re-emergence of dengue fever with expanding geographic distribution of both the viruses and the mosquito vectors, resulting in increased epidemic activity and the emergence of dengue haemorrhagic fever. Before 1970, only 9 countries had experienced severe dengue epidemics. The disease is now endemic in more than 100 countries in the WHO regions of Africa, the Americas, the Eastern Mediterranean, South-East Asia and the Western Pacific. The Americas, South-East Asia and Western Pacific regions (including Far North Queensland in Australia) are the most seriously affected, with Asia representing ~70% of the global burden of disease. Currently, it affects an estimated 490 million humans each year; more than a quarter of the world's population (over 2.5 billion people) living in areas where DENV is now endemic.

Not only are the number of cases increasing as the disease spreads to new areas including Europe, but explosive outbreaks are occurring. The threat of a possible outbreak of dengue now exists in Europe; local transmission was reported for the first time in France and Croatia in 2010 and imported cases were detected in three other European countries. In 2012, an outbreak of dengue on the Madeira islands of Portugal resulted in over 2000 cases and imported cases were detected in mainland Portugal and 10 other countries in Europe. Indigenous cases are now observed on an almost annual basis in many European countries. Among travellers returning from low and middleincome countries, dengue is the second most diagnosed cause of fever after malaria.[14]

In 2020, dengue continues to affect several countries, with reports of increases in the numbers of cases in Bangladesh, Brazil, Cook Islands, Ecuador, India, Indonesia, Maldives, Mauritania, Mayotte (Fr), Nepal, Singapore, Sri Lanka, Sudan, Thailand, Timor-Leste and Yemen. The largest number of dengue cases ever reported globally was in 2019. All regions were affected, and dengue transmission was recorded in Afghanistan for the first time. The American region alone reported 3.1 million cases, with more than 25,000 classified as severe. A high number of cases were also reported in Asia such as Bangladesh (101,000), Malaysia (131,000) Philippines (420,000), Vietnam (320,000).[15]

[12] https://www.who.int/news-room/fact-sheets/detail/dengue-and-severe-dengue
[13] https://www.who.int/en/news-room/fact-sheets/detail/dengue-and-severe-dengue
[14] https://www.who.int/news-room/fact-sheets/detail/dengue-and-severe-dengue
[15] https://www.who.int/en/news-room/fact-sheets/detail/dengue-and-severe-dengue

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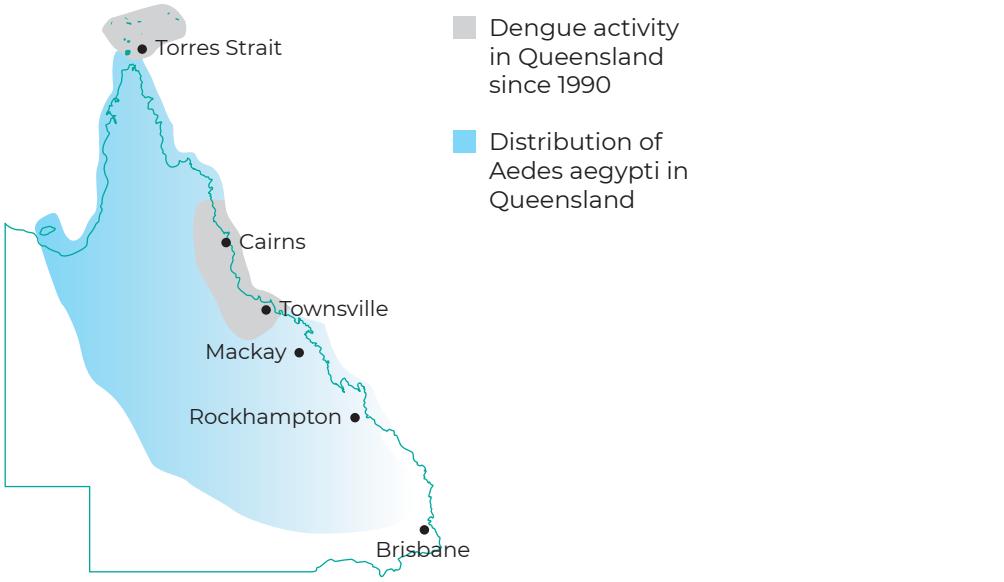
In Australia, dengue fever has been prevalent as a disease in Northern and Far North Queensland since 1900. The map in Figure 3.3.1 notes the distribution of dengue outbreaks, but importantly notes the growing distribution of the mosquito vector across the majority of Queensland suggesting the increasing probability of a dengue outbreaks in heavily populated areas as well as key tourist precincts in Australia.

FIGURE 3.3.1: DISTRIBUTION OF A. AEGYPTI AND DENGUE ACTIVITY IN QUEENSLAND, AUSTRALIA



3.3.2 West Nile and Zika viruses

The introduction of West Nile virus and Zika viruses into the western hemisphere was followed by rapid geographical spread, large numbers of human infections and considerable morbidity.

3.3.3 Other Flaviviruses

Other flaviviruses present ongoing health risks or are beginning to emerge in different parts of the world, including Japanese encephalitis virus, tick-borne encephalitis virus and Usutu virus. Similarly, the ongoing Yellow Fever virus transmission and its encroachment on urban environments despite the existence of an effective vaccine, poses a serious public health challenge. The recurrence of Yellow Fever outbreaks despite the availability of safe vaccine[16] indicates the need for the development of effective therapeutic options for Flavivirus.

3.4 Current treatment options for Flavivirus diseases

3.4.1 Vaccines

Licensed vaccines exist for five flaviviruses (Yellow Fever, Japanese encephalitis, dengue, tick-borne encephalitis virus and kyasanur forest disease virus) and several others have been evaluated in preclinical and clinical studies. Whilst these vaccines have delivered success against some flaviviruses, challenges exist for the development of vaccines that blunt epidemics caused by emerging flaviviruses. These include:

- The extensive cross-reactivity of flavivirus-immune sera complicates the development and use of diagnostics to track and manage outbreaks. As such, serological assays remain an important tool for the management of the epidemics and evaluation of vaccine candidates;
- The presence of cross-reactive antibodies may shape the immune response to vaccination and influence the outcome of disease following infection;

[16] Ling Y, Chen J, Huang Q, et al. Yellow Fever in a worker returning to China from Angola, March 2016. Emerg Infect Dis 2016; 22:1317–8. & Monath TP. Treatment of Yellow Fever. Antiviral Res 2008; 78:116–24.

- While promising new platforms have been applied to create flavivirus vaccines, small differences in antigen design unpredictably affect the potency of the immune response to vaccination, requiring additional studies;
- Even large epidemics of flavivirus infection and disease can be transient relative to the interval required to the development and evaluation of vaccine candidates, as such, limiting access to patients for clinical studies; and
- Limited availability or insufficient deployment may limit the utility of vaccines once available.

Overall, vaccine shortages have exacerbated ongoing Yellow Fever virus activity in South America and Africa, prompting vaccine sparing studies.[17] Moreover, considerable numbers of Japanese encephalitis and tick-borne encephalitis virus infections continue to occur in Asia and Europe despite the availability of safe and effective vaccine programs. Even when made available, effective vaccines have not always had the desired impact on global health.

3.4.1.1 Vaccine for dengue fever

According to the WHO, the severe clinical outcomes following dengue infections have made the development of a vaccine a global health imperative. However, vaccine design and development has been hampered by the risk that incomplete vaccine immunity against all four serotypes of dengue might increase the pathogenesis of subsequent natural infection. As a result, the goal is to develop a vaccine that simultaneously elicits a balanced neutralizing response against all four dengue serotypes.

The live-attenuated, tetravalent Dengvaxia® from Sanofi Pasteur was the first anti-dengue vaccine licensed in December 2015. It has been approved by regulatory authorities in approximately 20 countries. The key issue with the use of Dengvaxia® as a mass vaccination tool is that while it has been shown in clinical trials to be efficacious and safe in persons who have had a previous dengue virus infection (seropositive individuals), it carries an increased risk of severe dengue in those who experience their first natural dengue infection after vaccination. These individuals are likely to show higher risk of more severe dengue and hospitalizations from dengue compared to unvaccinated participants. As such, use of the Dengvaxia® vaccine is targeted toward a narrowly defined audience: persons living in endemic areas, ranging from 9-45 years of age (9-18 years of age in the United States), who have had at least 1 documented dengue virus infection previously. WHO recommends that for countries considering vaccination as part of their dengue control programme, pre-vaccination screening is undertaken.

Two other live-attenuated tetravalent DENV vaccines are in clinical development:

(a) TV003 from the National Institute of Allergy and Infectious Diseases,[18] and

(b) TAK-003 from Takeda Pharmaceuticals[19].

The key issue remains whether new vaccines will provide superior protection to naïve individuals without the risk of sensitizing them to symptomatic or severe disease from subsequent natural dengue infection.

3.4.2 Pharmaceuticals

The development of antiviral therapeutics will enable new approaches for the management of flavivirus outbreaks due to their potential for use as treatment and prophylaxis (i.e. as an ongoing preventative.) Flaviviruses encode multiple potential targets for small molecule drugs, with drug development focusing on NS3 and NS5 proteins encoding enzymatic activity required for viral genome replication and polyprotein processing. These are the current focus of pharmaceuticals in development. Structural proteins of the virion have also may been targeted by antiviral compounds with little success to date.

3.4.2.1 Pharmaceuticals for dengue fever

Currently, there is no specific treatment for dengue fever. Fever reducers and pain killers can be taken to control the symptoms of muscle aches, pains and fever. The best options to treat these symptoms are acetaminophen or paracetamol. NSAIDs (non-steroidal anti-inflammatory drugs), such as ibuprofen and aspirin should be avoided. These anti-inflammatory drugs act by thinning the blood, and in a disease with risk of haemorrhage, blood thinners may exacerbate the prognosis.

[17] https://www.nature.com/articles/s41564-020-0714-0

[18] https://www.thelancet.com/journals/laninf/article/PIIS1473-3099(20)30023-2/fulltext

[19] https://www.takeda.com/newsroom/newsreleases/2020/the-lancet-publishes-papers-from-two-studies-of-takedas-dengue-vaccine-candidate/

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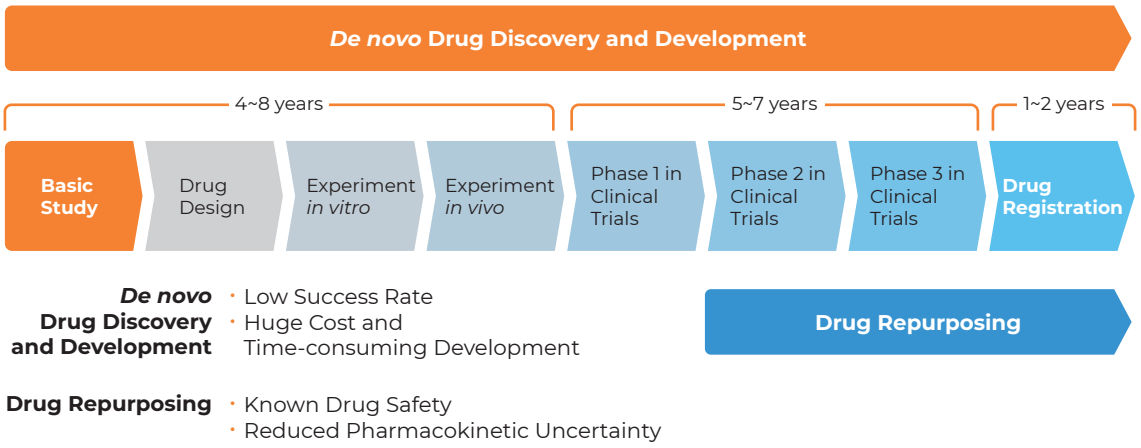
3.5 Drug repurposing as a mechanism to expedite drug development

3.5.1 What is drug repurposing?

Drug repurposing involves identifying new uses for approved or investigational drugs that are outside the scope of the original intended or approved medical use.[6,7] It reduces development time and costs compared with de novo drug discovery and development. It is a relatively new term for a process that has been happening for many years. In simple terms, it involves identifying existing compounds through biological plausibility; in vitro, in vivo and in silico studies; or serendipitous clinical observation.

3.5.2 The Benefits of drug repurposing



(a) Reduces drug development time by utilising what is already known about those drugs, including their pharmacokinetics, pharmacodynamics, common and uncommon toxicities, dosing schedule, human safety and mechanism of action.

(b) Most steps of the pre-clinical and early clinical development phases can be bypassed. As such, drug repurposing presents a significantly faster pathway into Phase II clinical trials compared with traditional drug discovery and development, where the safety, dosing and toxicity profile of new drugs is not known.

(c) Development-related financial investment is substantially reduced.

While the discovery and development of new drugs remains essential, a new drug requires 12–16 years processing time and an investment of US$1–2 billion to achieve regulatory approval. In contrast, repurposing an existing drug for a new therapeutic use takes on average 6.5 years to obtain approval and an investment of US$50-300 million. A combination of both traditional drug development and drug repurposing is therefore prudent if Island are to make timely inroads into treating human diseases relating to arboviruses more efficiently and deliver a significant impact on human health.

3.5.3 How can it be used for developing better treatments for flaviviruses and dengue fever?

Various inhibitors like chemicals, peptides, and peptidomimetics have been designed against the flaviviruses to target their stages and proteins. For example, ketoamides are known as dengue protease inhibitors; ivermectin targets the helicase activity of dengue, Yellow Fever, and Japanese encephalitis, whilst other peptides and known chemical inhibitors have shown some efficacy against flaviviruses. Lycorine displays the antiviral activity against many flaviviruses like yellow fever, West Nile virus, and dengue-1. Despite several inhibitors being tested, only a few have proven efficient against the circulating mutant strains of viruses, and yet to deliver a product for market.

Given the knowledge of the viral genome, structural and non-structural proteins, together with analyses of various inhibitors, as well a host receptors, Flaviviruses are good targets for treatment via repurposed existing compounds.

3.6 The Global Economic Burden of Flaviviruses

3.6.1 Costs of treatments

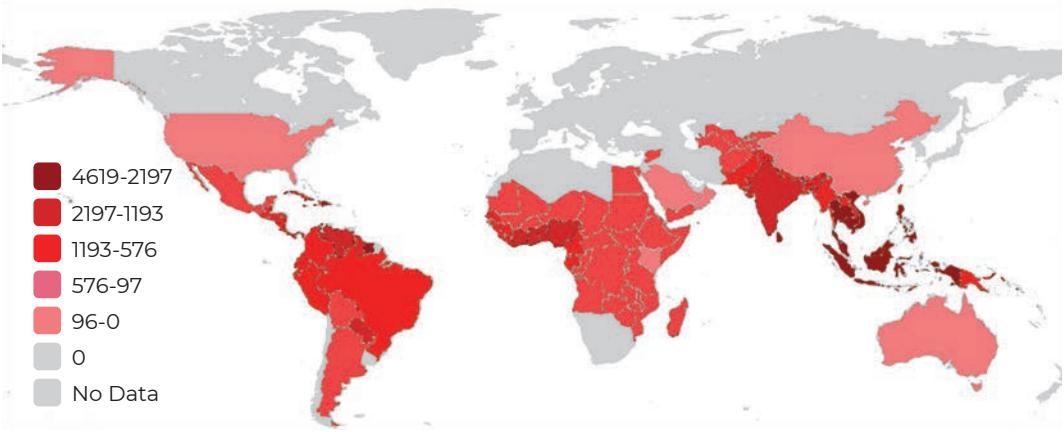
Economic analysis for infectious disease to estimate the cost borne by the society, especially in low and middle income countries provides information to governments to help them design policies and allocate public resources that achieve a positive impact on public health. The most common (and recommended by the WHO) type of analysis is the cost-effectiveness analysis (CEA), which compares different healthcare interventions estimating the economic costs and health gains (usually measured as Disability-Adjusted Life Years, or DALYs) of each intervention and hence identifies strategies with the potential of yielding the greatest health improvement for the least resources used.

Diseases impose an economic burden on society that includes direct medical costs to the health system or individuals, non-medical costs related to the treatment of the disease, and lost productivity (work or school days lost by the patient or family members as a consequence of the disease). The impact and cost of dengue illness to patients and households has been extensively studied in dengue endemic populations. Dengue has a great impact on the economy with analyses across 18 countries since 2005 indicating that dengue generated a cost of approximately US$3.3 billion purchasing power parity (PPP) in 2015[20] to US$8.9 billion in 2019[21].

The Americas' high level of dengue cases impacts the community at an epidemiological level, resulting in a material economic burden. Economic analyses of the American countries with the highest number of cases focused on the burden of the disease (measured in DALYs and number of cases) and its total treatment cost, which includes direct (medical and non-medical) costs and indirect costs for ambulatory and hospitalised patients. This does not include the wider effect of patients not presenting to the medical industry but with affected ability to work. The total treatment cost per DALY for the epidemic year (2015) adjusted for purchasing power parity (PPP) indicates that Mexico has the highest cost per DALY (US$ 17,703) followed by Brazil (US$ 11,218), Colombia (US$ 4,540), and the Dominican Republic (US$ 1,157).[22]

In Asia, economic analyses of endemic countries indicate the productivity costs varied between US$6.7–US$1,445.9 and US$3.8–US$1,332 for hospitalized and outpatient non-fatal episodes, respectively. The productivity cost associated with fatal dengue episodes varied between US$12,035 - US$1,453,237. A large degree of this variation is due to the range of different countries being investigated and their corresponding economic status.[23]

GLOBAL DENGUE INCIDENCE PER 100,000 PERSON-YEARS IN 2013[24]



[20] PLoS One. 2019; 14(2): e0211401

[21] https://doi.org/10.1186/s12879-020-05109-0

[22] https://www.intechopen.com/books/dengue-fever-a-resilient-threat-in-the-face-of-innovation/the-burden-of-dengue-illness-and-its-economics-costs-in-the-americas-a-review-on-the-most-affected-c

[23] https://doi.org/10.1186/s12879-020-05109-0

[24] https://doi.org/10.1016/S1473-3099(16)00026-8

3. Industry overview

3.6.2 The Payors for treatments of flaviviruses and dengue fever

The key markets for flavivirus treatments, and dengue in particular include:

(a) Country governments and local municipalities within the tropical zones;

(b) Insurance companies: local health and travel insurance;

(c) Travellers: not only tourists, but also business travellers, expatriates, those visiting friends and relatives, paediatric travellers, and migrants; and

(d) Government and Non-Government entities: for instance, armed forces and NGOs who are undertaking humanitarian relief action or other activities in tropical and sub-tropical destinations.

Government institutions and health are potential key markets, given the economic burden these tropical diseases have on many developing economies. Understanding the welfare loss associated with flavivirus illnesses (in particular, dengue) and the potential financial benefit of disease prevention and treatment is key to convincing at-risk populations and decision-makers, such as government, national and private health insurance providers and other third-party payers to purchase new products in development. Whilst market analyses to date fail to measure and value disutility (pain and suffering) associated with illness, direct medical and nonmedical expenditures and indirect costs are pivotal in elucidating key institutional markets and patients' willingness to pay to avoid another similar major illness episode without effective treatment.

Travellers are another key market. Pre-covid-19, the United Nations World Tourism Organization projected that about 1.8 billion travellers will cross international borders by 2030, within Asia and the Pacific region, where arboviral infections are endemic, highlighted as the fastest growing tourism regions in the world.[25] The proportion of dengue cases in ill-returned travellers[26] has increased markedly over the past few decades,[27] and dengue is the second most commonly diagnosed febrile illness after malaria. Assessment of travellers from eight major travel or tropical medicine clinics located in Australia, Austria, Germany, Israel, Italy, the Netherlands, Switzerland, and the United States indicates the average total out-of-pocket cost per episode at US$992 given that almost all patients experienced short-lived dengue illness and no complications.[28]

Most hospitalized travellers have health insurance coverage for medical expenditures. However, payments into insurance premiums are not typically defined as out-of-pocket spending for an acute illness episode and not captured in the US$992 per episode estimate for travellers. Those travellers assessed as having dengue when returning and hospitalized at home country for an average of 3.1 days. Hospitalization costs not only vary across countries but also within a country based on hospital ownership type (e.g., for-profit, non-profit, and public/government). Using an average cost of US$2,271 per inpatient day based on the 2015 Hospital Statistics of the American Hospital Association, which tracks inpatient health-care delivery in community hospitals open to the public, each dengue-related hospitalization would cost about US$7,040 per case in the United States. Using public hospital cost data, the direct medical cost of a dengue patient to the health system would be, on average US$8,357 in Australia and US$3,490 in Italy. Whilst these estimates are derived from national averages and cost data for travellers, this highlights the fact that out-of-pocket costs incurred by patients provide only a partial estimate of the societal-level economic burden of travel-acquired dengue illness and the need for these diseases to be addressed with appropriate medical interventions.

Like travellers, government funded entities such as the armed services acting as peace keeping forces or aid relief after natural disasters are exposed to flaviviruses and in particular dengue when working in tropical locations. These entities have not only a duty of care as employers, but willingness to pay for treatments to ensure that personnel remain healthy in these tropical environments.

[25] World Tourism Organization and Global Tourism Economy Research Centre (UNTWO/GTERC), 2017. Annual Report on Tourism Trends, 2017 Edition – Executive Summary. Madrid, Spain: UNWTO

[26] ; https://www.nejm.org/doi/full/10.1056/NEJMoa051331; https://www.nps.org.au/australian-prescriber/articles/assessing-fever-in-the-returned-traveller

[27] Ratnam I, Leder K, Black J, Torresi J, 2013. Dengue fever and international travel. J Travel Med 20: 384–393.

[28] Am. J. Trop. Med. Hyg., 100(6), 2019, pp. 1525–1533, doi:10.4269/ajtmh.18-0780

3.7 Pharmaceutical Product Regulation

Island's products and operations are required to comply with the pharmaceutical products regulations and international standards applicable to the markets in which the Company operates. Federal, State, local and foreign regulatory agencies impose requirements upon the clinical development, approval, labeling, manufacture, marketing and distribution of drug products.

The United States is a very important market for Island where its products are regulated by the FDA and are subject to Federal Food, Drug and Cosmetics Act and approval coupled with the Priority Review Voucher will be key drivers of IP value. The FDA regulates, among other things, the research, manufacture, promotion and distribution of drugs in the United States under the FDCA and other statutes and implementing regulations. Island's products, as prescription drug product candidates, must complete the following to be marketed in the United States:

- Completion of extensive nonclinical laboratory tests, animal studies and formulation studies, all performed in accordance with the FDA's Good Laboratory Practice regulations;
- Submission to the FDA of an Investigational New Drug application (IND), which must become effective before human clinical trials may begin;
- For some products, performance of adequate and well-controlled human clinical trials in accordance with the FDA's regulations, including Good Clinical Practices, to establish the safety and efficacy of the product candidate for each proposed indication;
- Submission to the FDA of a New Drug Application (NDA);
- Satisfactory completion of an FDA preapproval inspection of the manufacturing facilities in which the product is produced, to assess compliance with cGMP regulations; and
- FDA review and approval of the NDA prior to any commercial marketing, sale or shipment of the drug.

The testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all.

Other Regulatory Requirements

Maintaining substantial compliance with appropriate federal, state and local statutes and regulations requires the expenditure of substantial time and financial resources. Drug manufacturers are required to register their establishments with the FDA and certain state agencies, and after approval, the FDA and these state agencies conduct periodic unannounced inspections to ensure continued compliance with ongoing regulatory requirements, including cGMPs. In addition, after approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. The FDA may require post-approval testing and surveillance programs to monitor safety and the effectiveness of approved products that have been commercialized. Any drug products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including:

- record-keeping requirements;
- reporting of adverse experiences with the drug;
- providing the FDA with updated safety and efficacy information;
- reporting on advertisements and promotional labeling;
- drug sampling and distribution requirements; and
- complying with electronic record and signature requirements.

In addition, the FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. There are numerous regulations and policies that govern various means for disseminating information to health-care professionals as well as consumers, including to industry sponsored scientific and educational activities, information provided to the media and information provided over the Internet. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label.

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The FDA has very broad enforcement authority and the failure to comply with applicable regulatory requirements can result in administrative or judicial sanctions being imposed on Island or on the manufacturers and distributors of our approved products, including warning letters, refusals of government contracts, clinical holds, civil penalties, injunctions, restitution and disgorgement of profits, recall or seizure of products, total or partial suspension of production or distribution, withdrawal of approvals, refusal to approve pending applications, and criminal prosecution resulting in fines and incarceration. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. In addition, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

3.8 Priority Review Voucher

The Federal Food, Drug, and Cosmetic Act (FD&C Act), section 524, authorises FDA to award Priority Review Vouchers (PRVs) to sponsors of approved tropical disease product applications that meet certain criteria. These criteria were finalised in October 2016 and are provided in section 524 of the FD&C Act – Tropical Disease Priority Review Vouchers Guidance for Industry.

To qualify for a PRV, a sponsor's application must be for a drug or biological product for the prevention or treatment of a "tropical disease" must otherwise qualify for priority review, and must contain no active ingredient (including any salt or ester of an active ingredient) that has been approved in any other application under section 505(b)(1) of the FD&C Act or section 351 of the Public Health Services Act.

An extensive list of qualified diseases is provided by the FDA including the key diseases pursued by Island, such as dengue, chikungunya virus disease (FDA added in 2018), filoviruses (including Ebola) (Congress added in 2014) and Zika (Congress added in 2016).

Priority review means that the FDA aims to render a decision regarding a New Drug Application in 6 months. In contrast, the FDA aims to complete a standard review in about 10 months for new drugs, and it often takes even longer. The PRV is a policy measure, intended to motivate more treatments for neglected and rare diseases, such as the tropical diseases on which Island is focused. Under the law, a developer of a treatment for a neglected or rare pediatric disease receives a voucher for priority review from the FDA to be used with a product of its choice or sold to another developer – such as another pharmaceutical or biotech company. The voucher's value is derived from three factors: shifting sales earlier, longer effective patent life due to earlier entry, and competitive benefits from earlier entry relative to competitors. As such, these PRV have been sold since the initiation of the policy in 2009.

FIGURE 3.8: PRV AWARDS AND PRICES (US$ MILLION)[29]

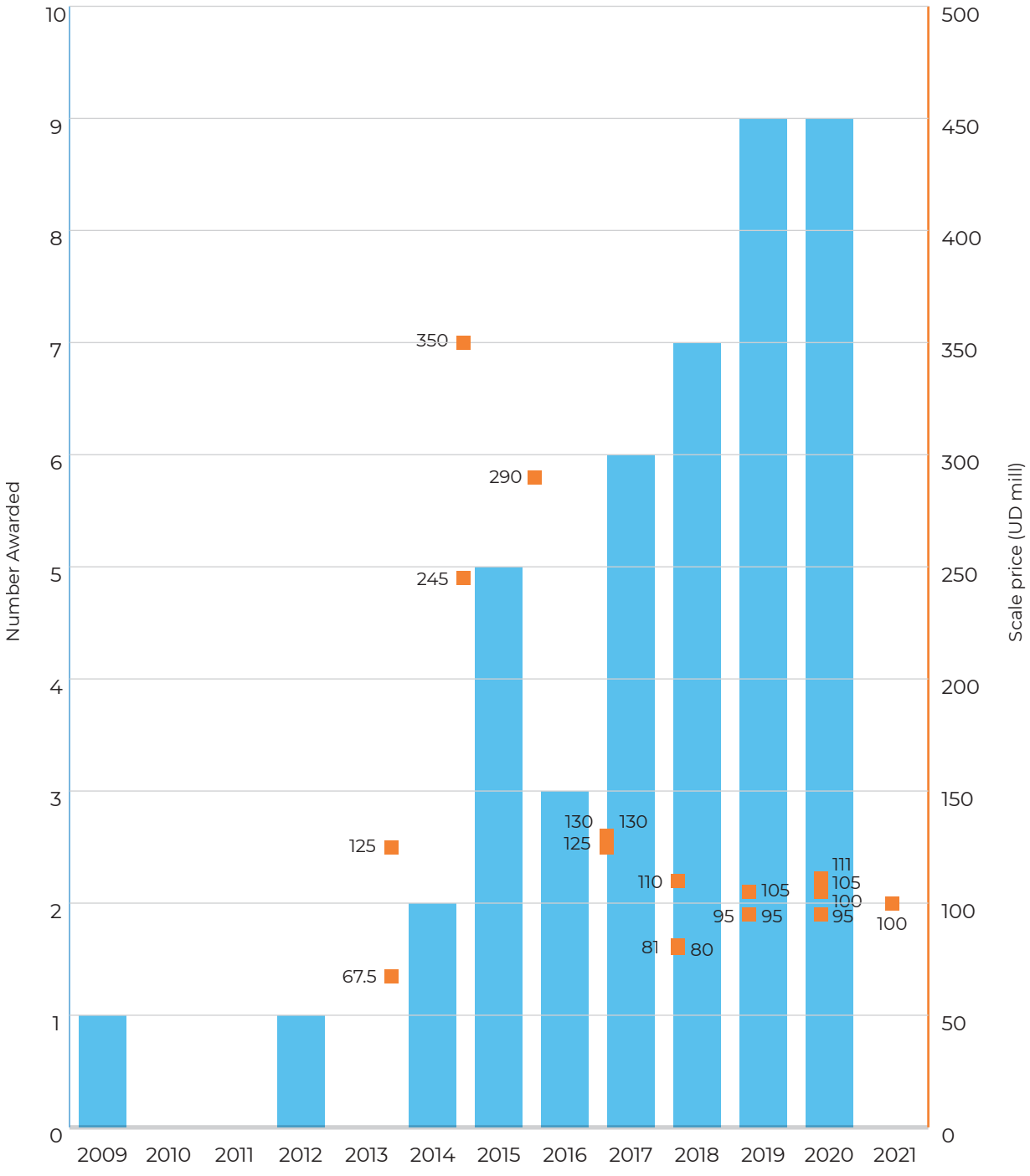


Figure 3.8 shows the timeline of the numbers of PRVs awarded (blue bars) and PRV sales (red circles). Island aims to receive a PRV and to potentially sell it to a larger pharmaceutical company.

[29] https://priorityreviewvoucher.org/

Section 4
Board, Management and Corporate Governance

4.1 Board of Directors

The Board comprises an Executive Chairman, three Non-Executive Directors and one Executive Director.

Director	Summary
	**Dr Paul MacLeman** Dr MacLeman 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, Dr MacLeman has expertise in capital raising, business development, technology commercialisation and sales & marketing globally. Dr MacLeman 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. Dr MacLeman has previously served as Chairman, Director or Managing Director/CEO of several VC funded, ASX, NASDAQ, CSE and TSX listed companies. Dr MacLeman is currently Executive Chairman of Isla Pharmaceuticals Inc., is Chairman of AdAlta Limited (1AD:ASX), Chairman of SuperTrans Medical Limited and non-executive director of Upkara Asia Pacific Pty Ltd. Dr MacLeman Chairs the Industry Review Committee for the Pharmaceutical Manufacturing National Training Package for the AISC. He is an expert advisor to PharmaVentures (Oxford, UK) and Mind Medicine. Dr MacLeman also serves on a number of other NFP and government advisory groups and has recently provided advice to both DESE and DISER related to Covid-19. Dr MacLeman holds a degree in veterinary science, post-graduate engineering and governance qualifications, and an MBA from MGSM. Dr MacLeman is not an independent Director as he is the Executive Chairman of the Company.
	**Dr David Foster** Dr Foster has vast experience in the life science industry including 20+ years representing diverse companies, such as pharmaceutical, biotherapeutic and diagnostic companies while in private legal practice. In addition, he served as intellectual property counsel at Medarex, a mid-sized biotherapeutics company, acquired by Bristol-Myers Squibb. Dr Foster co-founded Roberts Foster LLP- a technology focused law firm, bionorthTx- a regional life science trade association, and multiple private biotechnology companies. He is a Board member of bionorthTx and private biotechnology companies. Dr Foster has expertise in formulating intellectual property and business strategies to protect and develop therapeutic assets. He holds a Ph.D. from The University of Texas Southwestern Medical Center, a J.D. from Golden Gate University School of Law and is a Member of the Australian Institute of Company Directors. Dr Foster is not an independent Director as he is an Executive Director and a substantial shareholder of the Company.

4. Board, Management and Corporate Governance

Director	Summary

Dr Anna Lavelle

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.

Dr Lavelle is an independent Director as in the Board's view she is free from any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of her judgement.

Dr David Brookes

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 Chairman of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE:PKI) in June 2018. He is currently the Chair of ASX listed Factor Therapeutics Ltd. He is currently a non-executive director of ASX listed companies TALi Digital Ltd and Anatara Lifesciences Ltd, and is the chair of the audit & Risk committee of both those companies. Dr Brookes has graduated MBBS (Adelaide) and is a FACRRM (Fellow of the College of Rural & Remote Medicine) and a FAICD.

Dr Brookes is an independent Director as in the Board's view he is free from any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of his judgement.

Director	Summary
	**Mr Albert Hansen** 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. Mr. Hansen serves as President of one of KESA's portfolio companies, Clearlight Biotechnologies, Inc., which has licensed imaging technology for tissue analysis from Stanford University. 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 25 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. 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. Mr. Hansen is not an independent Director as he is a substantial shareholder of the Company.

4. Board, Management and Corporate Governance

4.2 Company secretary

Peter Webse of Governance Corporate Pty Ltd has been engaged by the Company on a monthly basis to provide corporate secretarial services. In addition to the remuneration payable to him, Peter Webse has also received 400,000 options pursuant to the Equity Incentive Plan (see section 4.7).

Mr Webse has over 28 years' company secretarial experience and is a director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. B.Bus, FGIA FCG, FCPA, MAICD.

4.3 Key management

Key management include Dr Paul MacLeman and Dr David Foster. The Company has also engaged Cameron Jones of Bio101 Financial Advisory Pty Ltd to provide CFO and accounting services (for more details see Section 11.11.7).

Director	Summary
	**Dr Paul MacLeman** Dr Paul MacLeman's biographical details are described in section 4.1(a) above.
	**Dr David Foster** Dr. David Foster's biographical details are described in section 4.1(b) above.

4.4 Scientific Advisory Board

The Scientific Advisory Board has been formed to assist the Company via regular meetings advising on technical and scientific matters pertaining to Isla101 drug development, and pipeline expansion opportunities via the research collaboration agreements with Monash University. SAB fees are to be $20,000 per annum.

Director	Summary
	**Dr Leigh Farrell:** Dr Farrell has over 30 years' experience in the biotechnology and pharmaceutical industry and is Head of Health Security at DMTC Ltd, a non-executive director of Pro Medicus Ltd, Alexia Therapeutics Pty Ltd, Ena Respiratory Pty Ltd, a member of the Medicines Australia Limited Independent Advisory Council and a member of the Walter & Eliza Hall Institute Commercialisation Committee. Dr Farrell's past appointments include: Senior Vice President, Commercial at Certara USA, Inc where he was responsible for Asia Pacific Commercial and global government engagement for the preparedness, planning and response to major health emergencies; Chairman & COO of d3 Medicine, LLC; Vice President of Business Development at Biota Pharmaceuticals Ltd, Associate Director GBS Venture Partners, Research Manager Johnson & Johnson Research and CEO of Gene Shears. Dr Farrell is a Fellow of the Australian Institute of Company Directors.
	**Prof. Stephen Thomas MD** Dr. Thomas is a Professor of Medicine, Professor of Microbiology & Immunology, and Infectious Diseases physician-scientist from SUNY Upstate Medical University. He is the Chief, Division of Infectious Diseases and Director, Institute for Global Health and Translational Science. Prior to joining Upstate Dr. Thomas spent twenty years in the U.S. Army Medical Corps serving at the Walter Reed Army Institute of Research and completing his career as the institute's Deputy Commander for Operations. Dr. Thomas specializes in the study of viruses and vaccine development. He has been studying dengue and developing vaccines and drugs to prevent and treat dengue for over 20 years. Dr. Thomas also played key leadership roles in the U.S. government response to the West Africa Ebola outbreak (2014-2016) and MERS-CoV and Zika epidemics and was instrumental in the development and advancement of vaccines for each. He is currently the coordinating principal investigator for Pfizer's phase 2/3 COVID vaccine trial. Dr. Thomas earned his Bachelor of Arts with Honors in Biomedical Ethics from Brown University, his Medical Degree from Albany Medical College, and completed his Internal Medicine residency and Infectious Diseases fellowship at Walter Reed Army Medical Center.

4. Board, Management and Corporate Governance

Director	Summary
	**Dr. Simon Tucker** Dr Tucker has decades of pharmaceutical management and R&D experience. He previously led teams at GD Searle, USA, focused on new antivirals including influenza and HIV. While there he was a member of the team responsible for the discovery of the HIV protease inhibitor Amprenavir. He subsequently led the Gene Therapy Group at the University of Glasgow, UK. He then joined Biota Pharmaceuticals (originator of NA influenza drugs). As VP of Research at Biota Pharmaceuticals he oversaw the research and IP portfolios, participated in setting the R&D strategy and, together with other team members was directly involved in multiple licensing deals, collaborative projects with major pharmaceutical companies and the discovery and progression of clinical candidates. He led international pharma-biotech collaborative teams which discovered the most potent, long acting influenza neuraminidase inhibitors described to date, novel HCV nucleosides, RSV antivirals, broad-spectrum antibiotics and vapendavir: a common cold antiviral that completed two Phase II trials, amongst others. In other roles he has sat on various advisory bodies, committees and Boards, and is currently Chair of Monash's Turner Industry Engagement Translation Council. He is a founder & former CEO & Managing Director of 360biolabs, a successful Melbourne based CRO and is currently Chairman of Jumpstart-Fertility: an international biotech focused on drugs to address female infertility, and an advisor to various other companies worldwide.

4.5 Directors' shareholding qualifications, remuneration and interests

Except as disclosed in the Prospectus, no Director or proposed Director of the Company, or firm in which a Director or proposed Director is a partner, has any interest, nor has had any interest for registration, or has received or is entitled to receive any sum for services rendered by either him or the firm to induce him to become or qualify him as a Director, or otherwise in connection with the promotion or formation of the Company or in the property proposed to be acquired by the Company in connection with its promotion or formation.

(a) Shareholding qualifications & remuneration

The Directors are not required under the Constitution of the Company to hold any Shares in order to qualify as Directors.

The Constitution provides the Directors are entitled to remuneration for their services as Directors as determined by the Company in general meeting. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for any disbursements or any other out of pocket expenses incurred as a result of the directorship or any special duties.

(b) Directors' interests in securities
Set out below are details of the interests of the Directors in the Shares and other securities of the Company immediately prior to lodgement of the Prospectus with the ASIC for registration. Interests include those held directly and indirectly.

Name	Position	Annual Remuneration	Shares directly held	Options held*
Dr Paul MacLeman	Executive Chairman	$150,000	85,053	2,325,000
Dr David Foster	Executive Director	$250,000	5,146,829	533,333
Dr Anna Lavelle	Non-executive Director Chair Remuneration and Nomination Committee	$50,000	–	400,000
Dr David Brookes	Non-executive Director Chair Risk and Audit Committee	$50,000	–	400,000
Albert Hansen	Non-executive Director	$45,000	10,837,367	423,030

* Other information required under the Listing Rules - other than in relation to a portion of Albert Hansen's options, all options were issued pursuant to the Equity Incentive Plan (see section 4.7). Mr Hansen was previously issued with 23,030 options. All other options are issued under the EIP and are exercisable after 2 years from the IPO. With the exception for Dr David Foster, the options issued under the EIP have a strike price of $0.3625. Dr Foster's options have been issued in 3 equal tranches with strike prices of $0.3125, $0.3750 and $0.4375.

(c) Other interests of Directors
None

4.6 Related party transactions

There are no related party transactions.

4.7 Employee Share / Option Plan

(a) Background
The Company has adopted the Equity Incentive Plan in order to assist in the motivation and retention of selected Company employees. The Equity Incentive Plan is designed to align the interests of eligible employees more closely with the interests of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company. Under the Equity Incentive Plan, eligible employees may be offered performance rights, options, loan shares, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

The Equity Incentive Plan (**EIP**) was adopted by a resolution of shareholders on 7 October 2020 to provide ongoing incentives to any full time or part time employee of the Company or any of its subsidiaries (including a Director or company secretary of the Company or its subsidiaries who holds salaried employment with the Company or its subsidiaries on a full or part time basis), or a consultant, who is determined by the Board to be eligible to receive grants of Options under the EIP (**Eligible Participants**).

(b) Key Terms
The key terms of the Equity Incentive Plan are summarised below.

(i) Employee Rights
Under the Equity Incentive Plan, the Company may offer or issue to eligible employees, the following Employee Rights:

- **performance rights:** a right to be issued or provided with a Share at nil issue price on specific vesting conditions being achieved;

4. Board, Management and Corporate Governance

- **options:** a right to be issued or provided with a Share on payment of an exercise price and which can only be exercised if specific vesting conditions are achieved;
- **loan shares:** Shares issued subject to a limited recourse loan and at nil interest rate, subject to specific vesting conditions;
- **deferred share awards:** Shares issued to employees:
  - who elect to receive Shares in lieu of any wages, salary, director's fees, or other remuneration; or
  - by the Company in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment; or
- **exempt share awards:** Shares issued for no consideration or at an issue price which is a discount to the market price with the intention that up to $1,000 (or such other amount which is exempted from tax under the *Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997* (Cth) from time to time) of the total value or discount received by each employee will be exempt from tax.

(ii) Eligible employees
Employee Rights may be granted at the discretion of the Board to any person who is an employee, officer, director or consultant of a member of the Company.

(iii) Price
The Board has discretion to determine the issue price and/or exercise price for the Employee Rights.

(iv) Vesting and exercise of Employee Rights
The Employee Rights held by a participant will vest in and become exercisable by that participant upon the satisfaction of any vesting conditions specified in the offer and in accordance with the rules of the Equity Incentive Plan. Vesting conditions may be waived at the discretion of the Board.

(v) Change of control
In the event a takeover bid is made to acquire all of the Shares on issue, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid, the Board may waive unsatisfied vesting conditions in relation to some or all Employee Rights. Further, if a takeover bid is made to acquire all of the Shares on issue, participants may accept the takeover bid in respect of any Employee Rights (other than exempt share awards) which they hold notwithstanding the restriction period in respect of those Employee Rights has not expired.

(vi) Claw-back
If any vesting conditions of an Employee Rights are mistakenly waived or deemed satisfied when in fact they were not satisfied, then in accordance with the terms of the Equity Incentive Plan, the Board may determine that the relevant Employee Rights expire (if not yet exercised), or it may otherwise recover from the participant some or all Shares issued upon exercise of the Employee Rights or any proceeds received from the sale of those shares.

(vii) Variation of Share capital
If prior to the exercise of an Employee Right, Company undergoes a reorganisation of capital or bonus issue, the terms of the Company Employee Right will be changed to the extent necessary to comply with the Listing Rules.

4.8 Legal or disciplinary action

No Director (or company that the Director was a director of at the relevant time) has, in the 10 year period ending on the date of this Prospectus, had any legal or disciplinary action against the Director that is relevant to the Director's role in the Company and a potential investor's decision to apply for Shares.

4.9 Insolvent companies

Other than as described below, no Director has been an officer of a company that entered into a form of external administration because of insolvency while the Director was an officer of the company or within 12 months of the Director ceasing to be an officer of the company.

Albert Hansen served as the CEO of Bioserv Corporation, which filed for protection under Chapter 11 of the U.S. Bankruptcy Code in October 2014 in response to litigation. This was later resolved and substantially all the assets of the business were subsequently sold to Sorrento Bioservices, Inc. in December 2016 for $3.6 million. All creditors were repaid 100% and the company reorganised and emerged from bankruptcy in May 2017 as GXP CDMO, Inc.

4.10 Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its members.

The Company is cognisant of the Corporate Governance Principles and Recommendations (4th edition) as published by ASX Corporate Governance Council and acknowledges that the 8 principles set out in that document are fundamental to good corporate governance.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by ASX in that publication.

The Board has formally adopted a Corporate Governance Plan for the Company. Under this Corporate Governance Plan, the Board has established:

(a) an Audit and Risk Committee whose primary function is to provide additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements.

(b) a Remuneration and Nomination Committee to review and report to the Board on matters concerning executives' and Directors' remuneration and to review the composition of the Board to ensure that the Board has an appropriate mix of expertise and experience and to assess and review the performance of the Directors of the Company.

The Company's Corporate Governance Plan can be found on the Company's website at www.islandpharmaceuticals.com.

4. Board, Management and Corporate Governance

While the ASX Corporate Governance Principles and Recommendations are not compulsory, the Company will and in accordance with ASX Listing Rule 4.10, advise the market whether it meets the ASX Corporate Governance Principles and Recommendations and if not, state why not. Please find below details of the Company's compliance with the ASX Corporate Governance Principles and Recommendations:

Principle and Recommendation	Requirement	Comply	Explanation
Principle 1	***Lay solid foundations for management and oversight:***		
Recommendation 1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	YES	The specific roles and responsibilities of the Board and the Chairperson are set out in the Board Charter, as well as the maters that may be delegated to management. A copy of the Company's Board Charter is disclosed on its website.
Recommendation 1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Remuneration and Nomination Committee is required to undertake appropriate checks before putting forward a candidate for appointment or election as a director. (b) The Remuneration and Nomination Committee is required to provide shareholders with all material information in its possession relevant to a decision whether or not to elect or re-elect a director.
Recommendation 1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Group has written agreements with each of its Directors and senior executives setting out the terms of their appointment.
Recommendation 1.4	The Company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Company has appointed a company secretary. The Board Charter outlines the roles, responsibility and accountability of the company secretary. The company secretary is accountable directly to the Board through the Chairperson on all matters relating to the proper functioning of the Board. Peter Webse has been appointed as the company secretary.

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 1.5	A listed entity should: (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: (i) the measurable objectives set for that period to achieve gender diversity; (ii) the entity's progress towards achieving those objectives; and (iii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.	NO	The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them. The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity. The Company currently has one female director (Dr Anna Lavelle) and no female employees. A copy of the Company's Diversity Policy is disclosed on its website.

4. Board, Management and Corporate Governance

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	YES	(a) The Company has a Performance Evaluation Policy which discloses the process for evaluating the performance of the Board, its committees and individual directors annually. Performance reviews are carried out by the Remuneration and Nomination Committee. A copy of the Company's Performance Evaluation Policy is disclosed on its website. (b) The Company intends to disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.
Recommendation 1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	YES	(a) The Company has a Performance Evaluation Policy which discloses the process for evaluating the performance of the Company's senior executives annually. Performance reviews are carried out by the Remuneration and Nomination Committee. A copy of the Company's Performance Evaluation Policy is disclosed on its website. (b) The Company intends to disclose for each reporting period the evaluation process and whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

Principle and Recommendation	Requirement	Comply	Explanation
Principle 2	***Structure the board to add value:***		
Recommendation 2.1	The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	NO	The Company has established a Remuneration and Nomination Committee which is comprised of Dr Anna Lavelle (Chair), Dr Paul MacLeman and Mr Albert Hansen. The membership of the Remuneration and Nomination Committee is not currently comprised of a majority of independent Directors, with only Dr Anna Lavelle considered to be independent. The composition of this committee is considered appropriate given the Company's current circumstances. However, the Remuneration and Nomination Committee structure will be reviewed over time and as the composition of the Company's Board develops. The Remuneration and Nomination Committee Charters is disclosed on the Company's website. The Company intends to disclose for each reporting period the number of times the Remuneration and Nomination Committee met and the individual attendances of the members during or in respect of that period.
Recommendation 2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	NO	The Board via the Remuneration and Nomination Committee is responsible for preparing and maintaining a Board skills matrix. The Company currently does not have a skills matrix, but the Board intends to prepare a skills matrix to assist with its review and to comply with ASX's requirements.

4. Board, Management and Corporate Governance

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position or relationship of the type described in Box 2.3 of the Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	YES	(a) The Board considers that Dr Anna Lavelle and Dr David Brookes are independent directors. The Board considers that Dr Paul MacLeman in not independent as he is the Executive Chairman of the Company, that Dr David Foster is not independent because he is a company co-founder, and Executive Director and retains equity in the Company. The Board also considers that Mr Albert Hansen is not independent because he also retains equity in the Company as an investor. The names of the Directors considered to be independent will be disclosed in the Company's annual report and on its website. (b) The Board considers that Dr Paul MacLeman, Dr David Foster and Mr Albert Hansen have interest of the type described in Box 2.3 and accordingly those Director are not considered to be independent for the reasons set out in (a) above. (c) Dr David Foster is a co-founder of Isla US and has been a member of the Board of Isla US since company inception, March 2017 and a Director of the Company since 1 October 2020. Dr Paul MacLeman has been appointed to the Board of Isla US since February, 2020 and a Director of the Company since 25 May 2020. Mr. Hansen has been a member of the Board of Isla US since March 2017 and a Director of the Company since 1 October 2020. The other Directors have been appointed to the Board of the Company since 1 October 2020.

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 2.4	A majority of the board of a listed entity should be independent directors.	NO	Two of the Company's Directors at Listing are considered to be independent, while 3 of the Company's Directors are not considered to be independent.
Recommendation 2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	Following completion of the Offer, the Chairman of the Company will be Dr Paul MacLeman, who is not also the CEO, but is an executive director of the Company.
Recommendation 2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development opportunities to maintain the skills and knowledge needed to perform their role as directors effectively.	YES	The Remuneration and Nomination Committee will be responsible for developing, implementing and reviewing Director induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.
Principle 3	***Act ethically and responsibly:***		
Recommendation 3.1	A listed entity should articulate and disclose its values.	YES	The Company has adopted five core values, being commitment, respect, integrity, solidarity and putting patients first. The Company will disclose its values in the Corporate Code of Conduct disclosed on its website.
Recommendation 3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	YES	(a) The Company has adopted a Corporate Code of Conduct for its directors, senior executives and employees, and will disclose the Corporate Code of Conduct on its website. (b) Under the Corporate Code of Conduct, the CEO will monitor compliance with the code and will ensure that the Board is informed of any material breaches of the Corporate Code of Conduct.

4. Board, Management and Corporate Governance

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	YES	(a) The Company has a adopted a Whistleblower Protection Policy for its directors, senior executives and employees, and will disclose the Whistleblower Protection Policy on its website. (b) The Company will ensure that the Board is informed of any material incidents reported under the Whistleblower Protection Policy.
Recommendation 3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	YES	(a) The Company has adopted an Anti-Bribery and Anti-Corruption Policy for its directors, senior executives and employees, and will disclose the Anti-Bribery and Anti-Corruption Policy on its website. (b) The Company will ensure that the Board is informed of any material breaches of the Anti-Bribery and Anti-Corruption Policy.

Principle and Recommendation	Requirement	Comply	Explanation
Principle 4	***Safeguard integrity in corporate reporting:***		
Recommendation 4.1	The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	YES	The Company has established an Audit and Risk Committee which is comprised of Dr David Brookes (Chair), Dr Anna Lavelle and Dr Paul MacLeman. The Committee is comprised of a majority of independent Directors and is chaired by an independent Director who is not the chair of the Board. The Charter of the Audit and Risk Committee is disclosed on the Company's website. The relevant qualifications and experience of the Committee are set out in Section 4.1 of this Prospectus. The Company intends to disclose for each reporting period the number of times the Audit and Risk Committee met and the individual attendances of the members during or in respect of that period.

4. Board, Management and Corporate Governance

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company intends to require that the CEO and CFO (or, if none, the persons(s) fulfilling those functions) to provide a sign off on those terms in each financial year.
Recommendation 4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	YES	The Board via the 'Audit and Risk Committee is responsible for establishing procedures under its risk management framework for verifying the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor. These risk management procedures will be disclosed on the Company's website.
Principle 5	***Make timely and balanced disclosure:***		
Recommendation 5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	YES	(a) The Company has adopted a Continuous Disclosure Policy, which sets out the corporate governance measures adopted by the Company to ensure that market releases are presented in a clear and factual way, ensure that shareholders have equal and timely access to material information concerning the Company and to communicate effectively with shareholders. (b) The Company will disclose its Continuous Disclosure Policy on its website.

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	YES	The Company will ensure that the Board receives copies of all material market announcements promptly after they have been made.
Recommendation 5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	YES	Where the Company gives a new and substantive investor or analyst presentation, the Company will release such a presentation on the ASX Market Announcements Platform ahead of that presentation.
Principle 6	***Respect the rights of security holders:***		
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available on the Company's website. In particular, the Company will upload the following documents to its website: (a) Board Charter; (b) Corporate Code of Conduct; (c) Audit and Risk Committee Charter; (d) Remuneration Committee Charter; (e) Nomination Committee Charter; (f) Performance Evaluation Policy; (g) Continuous Disclosure Policy; (h) Risk Management Policy; (i) Trading policy; (j) Diversity Policy; (k) Whistleblower Protection Policy; (l) Anti-Bribery and Anti-Corruption Policy; and (m) Shareholder Communications Strategy.
Recommendation 6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy to facilitate effective two-way communication with investors. This Strategy outlines a range of ways in which information is communicated to shareholders.

4. Board, Management and Corporate Governance

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all GMs and AGMs of the Company. Upon the despatch of any notice of meeting to shareholders, the Company Secretary shall send out material with that notice of meeting stating that all shareholders are encouraged to participate at the meeting.
Recommendation 6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	YES	The Company intends that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.
Recommendation 6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Shareholders may elect to receive information electronically rather than by post.
Principle 7	***Recognise and manage risk:***		
Recommendation 7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; (ii) is chaired by an independent director and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	YES	The risk committee is combined with the audit committee (as the Audit and Risk Committee) and will be subject to the same terms of reference. The Company's processes to oversee its risk management framework are currently disclosed in its Audit and Risk Committee Charter. Please refer to Recommendation 4.1.

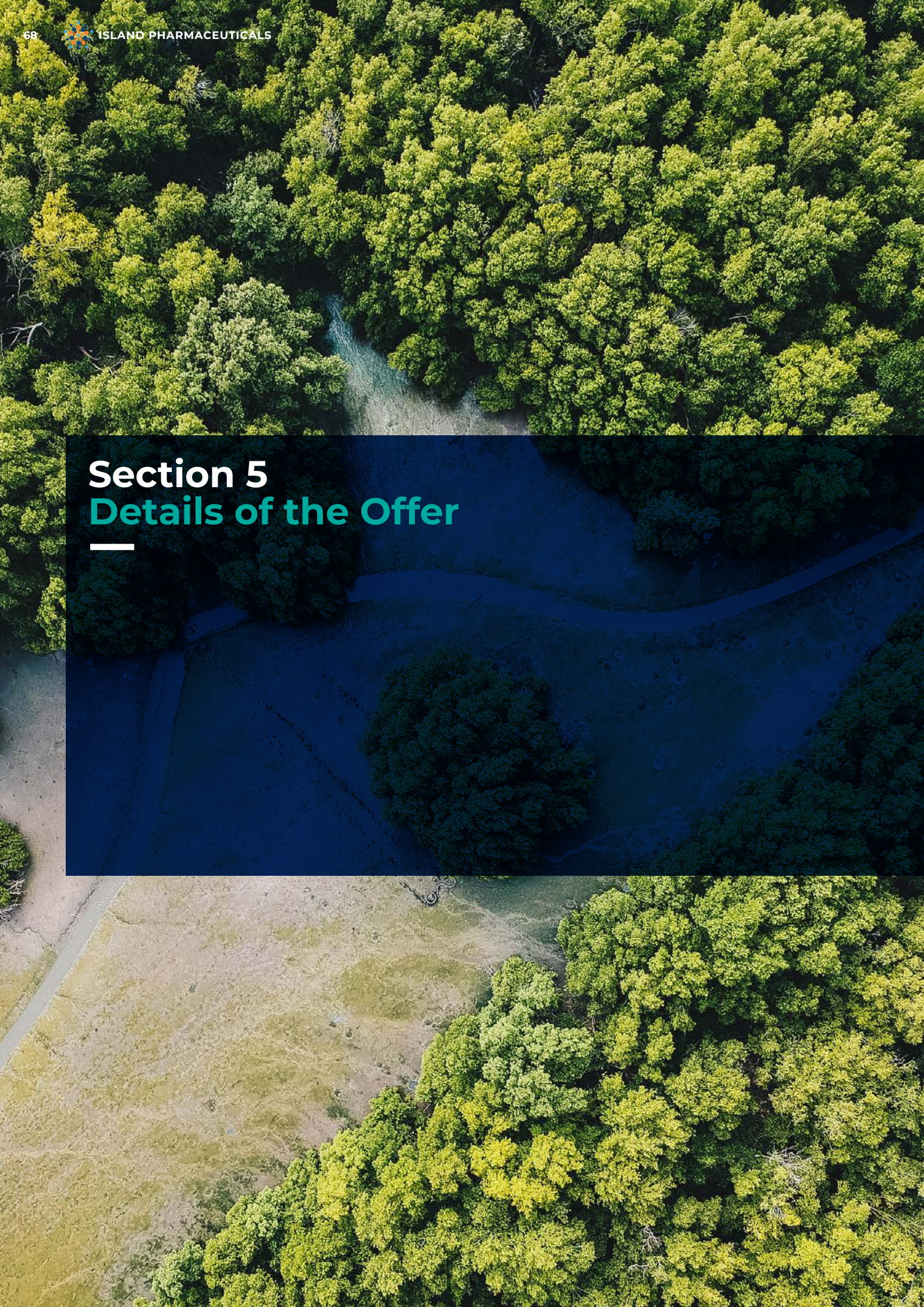
Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	YES	(a) The Audit and Risk Committee is required to implement a comprehensive and systematic risk assessment and reporting process throughout the Company, and to enable the Company to identify, assess, monitor and manage material risks related to the conduct of the Company's activities. The Audit and Risk Committee intends to review this process to keep it up to date and report to the Board any changes it considers should be made. (b) The Company intends to disclose in each Annual Report whether such a review of the Company's risk management framework has taken place. The Audit and Risk Committee charter will be reviewed annually or earlier if require by a change in circumstances.
Recommendation 7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	YES	The Company is currently not of sufficient size and structure and its operations not of sufficient magnitude to benefit from having a formal internal audit function. Once the Company is of a sufficient size and structure, reflecting that the Company's operations are of a sufficient magnitude, the Board will establish a formal internal audit function. The Audit and Risk Committee, on behalf of the Board, will monitor and periodically review the need for a formal internal audit function and its scope. The Audit and Risk Committee is currently responsible for evaluating and improving the effectiveness of the Company's governance, risk management and internal control processes.

4. Board, Management and Corporate Governance

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 7.4	An entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	YES	The Audit and Risk Committee is responsible for identifying risks, including environmental and social sustainability risks. To the extent that the Company is exposed to such risks, the Company considers that it has disclosed such risks in Section 9 of this Prospectus. The Company intends to disclose on its website and in its Annual Report whether it has any material exposure to environmental or social sustainability risks and if so, how it intends to manage those risks.
Principle 8	***Remunerate fairly and responsibly:***		
Recommendation 8.1	The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	YES	The remuneration committee is combined with the nomination committee (as the Remuneration and Nomination Committee) and will be subject to the same terms of reference under the Remuneration Committee Charter and the Nomination Committee Charter The Company's processes for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive are currently disclosed in its Remuneration Committee Charter. Please refer to Recommendation 2.1.

Principle and Recommendation	Requirement	Comply	Explanation
Recommendation 8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	YES	The Company will disclose its Remuneration Committee Charter, once adopted, on its website and on the ASX. The Remuneration Committee Charter will provide that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration, so that distinction is maintained between the structure of non-executive directors' remuneration and that of executive directors.
Recommendation 8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	YES	(a) The Company's Trading Policy sets out whether the participants are permitted to enter into transactions which limit the economic risk of participating in the scheme. The Trading Policy prohibits participants from limiting exposure to elements of their remuneration which have not vested or remain subject to a holding lock. (b) The Company has disclosed the Trading Policy on its website and will disclose it with the ASX.
Principle 9	***Additional recommendations that apply only in certain cases:***		
Recommendation 9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	YES	The Board is proficient in English. The Company does not intend to hold any Board meetings in a language other than English. In the event that a Director does not speak the language in which key corporate documents are written or Board or shareholder meetings are held, the Company will ensure that such documents are translated into the Director's native language and a translator is present at all Board and shareholder meetings.

The Company intends to keep its Shareholders up to date on all material information through its website (www.islandpharmaceuticals.com) and/or the ASX platform under its ASX ticker code ILA.



Section 5
Details of the Offer

5.1 The Offer

The Company is undertaking an Offer of 30,000,000 Shares at $0.25 per Share to raise $7,500,000 before costs. The Shares issued under this Prospectus will represent approximately 37.05% of Shares on issue upon Completion of the Offer.

The Offer is made subject to the terms and conditions set out in this Prospectus. All Shares will rank equally with each other.

Please refer to the Key Offer Information section for the Opening Date and Closing Dates for the Offer, and refer to Section 5.5 for details on how to apply for Shares pursuant to the Offer.

5.2 Structure of the Offer

The Offer consists of a Broker Firm Offer.

The allocation of Shares will be determined by agreement between the Company and the Lead Manager, having regard to the allocation policy outlined in Section 5.3.

5.3 Terms and Conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares in Island Pharmaceuticals Limited.
What is the consideration payable for the Shares?	The Offer Price is $0.25 per Shares.
What is the Offer period?	The key dates are set out in the Key Offer Information section.
What are the cash proceeds to be raised?	$7,500,000.
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Offer is $2,000, being an Application for 8,000 Shares. There is no maximum Application size under the Offer.
What is the allocation policy?	The Company reserves the right to authorise the issue of a lesser number of Shares than those for which Application has been made or to reject any Application. Where no issue or allocation is made or the number of Shares issued is less than the number applied for, surplus Application money will be refunded without interest. If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat an Application as valid, and how to construe, amend or complete it, will be final. The Company's decision on the number of Shares to be allocated to an Applicant will also be final.
When will I receive confirmation whether my Application has been successful?	It is expected that initial holding statements will be mailed by standard post on or about 6 April 2021.

5. Details of the Offer

Topic	Summary
Will the Shares be quoted?	The Company will apply for admission to the Official List of the ASX and quotation of Shares on ASX under the code "ILA". Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on 13 April 2021. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Share Registry, by a Broker or otherwise.
Is the Offer underwritten?	No.
Are there any escrow arrangements?	Yes. Details are provided in Section 11.8 below.
Are there any taxation considerations?	Yes. Please refer to Section 10 and note it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 11.15 for details of various fees payable by the Company to the Lead Manager.
What should I do with any enquiries?	Enquiries in relation to this Prospectus may be directed to the Share Registry on 1300 288 664 (toll free within Australia) or +61 2 9698 5414 (outside Australia) from 9 am until 5 pm (Melbourne time) Monday to Friday. Enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

5.4 Who May Apply

The Offer constituted by this Prospectus is available only to persons with a registered address within Australia.

If you have been offered a firm allocation of Shares by a Broker, you will be treated as an Applicant under the Broker Firm Offer in relation to that allocation. You should contact your Broker to determine whether you may be allocated Shares under the Broker Firm Offer.

5.5 How to Apply

Applications for new Shares offered under the Offer may only be made on the appropriate Offer Application Form attached to and forming part of this Prospectus. Please read the instructions on the Application Form carefully before completing it.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form and Application Monies with the Broker from whom you received your firm allocation of Shares. Applications under the Broker Firm Offer must not be sent to the Share Registry.

Applications for Shares under the Offer must be for a minimum of 8,000 Shares and thereafter in multiples of 4,000 Shares and payment for the Shares must be made in full at the issue price of $0.25 per Share. The Company and Lead Manager reserve the right to aggregate any applications which they believe are multiple applications from the same person, or to reject or scale back any applications.

A completed Application Form is an offer by an Applicant to the Company to apply for the amount of Shares specified in the Application Form on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

The Company reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded. Acceptance of an Application will give rise to a binding contract.

Completed Application Forms (and accompanying cheques) must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date. The Company and the Lead Manager may elect to extend the Offer or any part of it, or to accept late applications in particular cases or generally. The Offer, or any part of it, may be closed at an earlier date or time without notice, or your Broker may impose an earlier closing date. Applicants are therefore encouraged to submit their Application Forms as soon as possible. Please contact your Broker for instructions.

5. Details of the Offer

5.6 How to Pay

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form and Application Monies with the Broker from whom you received your firm allocation of Shares. Applications under the Broker Firm Offer must not be sent to the Share Registry. If payment is being made by cheque, the cheque must accompany the completed Application Form. The Company and the Lead Manager may elect to extend the Offer or any part of it, or to accept late applications in particular cases or generally. The Offer, or any part of it, may be closed at an earlier date or time without notice, or your Broker may impose an earlier closing date. Applicants are therefore encouraged to submit their Application Forms as soon as possible. Please contact your Broker for instructions.

You should be aware that your financial institution may implement earlier cut off times with regard to electronic payment and you should take this into consideration when making payment. None of the Company, the Lead Manager or the Share Registry takes any responsibility for any failure to receive Applications Monies or payment before the Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

5.7 Application Monies

Application Monies received under the Offer will be held in a special purpose account until Shares are issued or transferred to successful Applicants. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser amount of Shares than the amount applied and paid for, will be provided with a refund of the relevant portion their Application Monies. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any Application Monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Section 6
Financial Information

6. Financial Information

6.1 Introduction

The financial information for Island Pharmaceuticals contained in this Section 6 includes:

Island Pharmaceuticals Limited

- reviewed historical and pro forma statement of financial position as at 30 June 2020 and the associated details of the pro forma adjustments applied to the historical statement of financial position as at 30 June 2020;

Isla Pharmaceuticals Inc.

- summary pro forma historical statement of operations for the year ended 31 December 2018 (FY2018), year ended 31 December 2019 (FY2019 and six months ended 30 June 2020 (1HY2020) with comparative information for the six months ended 30 June 2019 (1HY2019);
- summary pro forma historical statement of cash flows for FY2018, FY2019, 1HY2020 and 1HY2019; and
- pro forma historical balance sheet as at 30 June 2020,

(together, the **Historical Financial Information**)

The statutory historical statement of operations and statutory historical statement of cash flows for Isla Pharmaceuticals Inc. for FY2018, FY2019 and 1HY2020 is included in Appendix B.

The Historical Financial Information should be read together with the other information contained in this Prospectus, including:

- management's discussion and analysis set out in this Section 6;
- the risk factors described in Section 9;
- An assessment of the impact of COVID-19, set out in Section 9.4.8;
- the description of the use of the proceeds of the Offer described in Section 2.5;
- the Independent Limited Assurance Report, set out in Section 7; and
- the indicative capital structure described in Section 11.2.

Investors should note that past performance is not an indication of future performance.

6.2 Basis of preparation and presentation of the Historical Financial Information

The Directors of Island Pharmaceuticals are responsible for the preparation and presentation of the Historical Financial Information.

Island Pharmaceuticals was incorporated on 25 May 2020 for the purposes of the Offer. The Historical Financial Information for Island Pharmaceuticals has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Island Pharmaceutical's significant accounting policies which are described in Appendix A.

The Historical Financial Information of Isla Pharmaceuticals Inc. has been prepared in accordance with the recognition and measurement principles generally accepted in the United States of America (US GAAP) and accounting policies consistent with Island Pharmaceutical's. The accounting policies of Island Pharmaceuticals have been consistently applied to Isla Pharmaceutical's historical financial information throughout the periods presented.

The Historical Financial Information contained in this Prospectus for Isla Pharmaceuticals has been prepared in accordance with US GAAP which is different to IFRS. Therefore the Directors have reviewed the differences between US GAAP and IFRS applicable to Isla Pharmaceuticals' audited financial statements for the year ended 31 December 2018 and year ended 31 December 2019 and the reviewed financial statements for the six months ended 30 June 2020. The Directors' have concluded based on the limited historical operations

and capital raising activities of Isla Pharmaceuticals that there are no material differences between IFRS and USGAAP applicable to Isla Pharmaceuticals requiring restatement of Isla Pharmaceuticals Inc. audited or reviewed Historical Financial Information to IFRS.

Island Pharmaceuticals will report in Australian Dollars in the future and therefore the Historical Financial Information for both Island Pharmaceuticals and Isla Pharmaceuticals has been presented in Australian Dollars and translated at the applicable foreign exchange rate. Isla Pharmaceuticals audited and reviewed statement of operations and statement of cash flows in United States Dollars are included in Appendix B. The Company will report with a 30 June year end following listing.

The Historical Financial Information of Island Pharmaceuticals (other than the pro forma adjustments to the historical statement of financial position as at 30 June 2020 and the results of those adjustments) has been derived from Island Pharmaceuticals reviewed financial statements as at 30 June 2020. The financial statements of Island Pharmaceuticals were reviewed by Grant Thornton Audit Pty Ltd in accordance with Australian auditing standards. The review conclusion issued to the Directors in relation 30 June 2020 was unqualified but also included an Emphasis of Matter regarding going concern.

The Historical Financial Information of Isla Pharmaceuticals has been derived from Isla Pharmaceuticals Inc.'s audited financial statements for FY2018 and FY2019 and reviewed financial statements for 1HY20. The financial statements of Isla Pharmaceuticals Inc. were audited and reviewed by Horne LLP in accordance with auditing standards generally accepted in the United States of America. The audit opinion issued to the Directors in relation to FY2018 and FY2019 were unqualified but included an Emphasis of Matter regarding going concern. The review conclusion issued to the Directors in relation to 1HY20 was unqualified but also included an Emphasis of Matter regarding going concern.

The Historical Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act 2001.

Unless stated otherwise, all amounts disclosed in this section are presented in Australian Dollars and rounded to the nearest $1,000. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

Isla Pharmaceuticals Inc. reported the operating activities and financial results of the business until the Restructure when Island Pharmaceuticals Limited becomes the ultimate parent company of Isla Pharmaceuticals Inc. (refer to Section 11.2 for a description of the Restructure). Following the Restructure, the Company is the reporting entity. The Restructure has been evaluated in accordance with the criteria in AASB 3: 'Business Combinations' and it has been determined that the underlying substance of the consolidated group is unchanged. The Restructure therefore has no impact on the book value of net assets as recorded prior to the Restructure. The transaction will be accounted for using the predecessor carrying values of the net assets of Isla Pharmaceuticals at the time of the Restructure. The carrying value of the net assets (translated to Australian Dollars) will continue to be recorded at their book values as per the Isla Pharmaceuticals Inc. financial statements and the results of Isla Pharmaceuticals Inc. will continue to be reported in a manner consistent with that recorded by Island Pharmaceuticals Limited.

The Directors note that the accounting for transactions such as the Restructure referred to above and contemplated in connection with the Offer is currently being reviewed by international accounting standard setters, and is subject to alternative interpretations and may be subject to change. The timing of any decisions, the outcome of these deliberations, and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in this Prospectus.

Should acquisition accounting be subsequently required, the impact is non cash in nature and will not affect future cash flows or the ability of Island Pharmaceuticals to pay future dividends, as the overall financial position of the parent entity, the Company, will be the determinant of whether or not dividends are able to be paid in future periods.

6. Financial Information

The Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information* by Grant Thornton Corporate Finance Pty Ltd as set out in the Independent Limited Assurance Report in Section 7. Investors should note the scope and limitations of the Independent Limited Assurance Report.

The Historical Financial Information has been prepared for the purposes of the Offer.

6.3 Impact of recent changes in Accounting Standards

AASB 9 Financial Instruments and AASB 15 Revenue from contracts with customers became mandatorily effective on 1 January 2018 and AASB 16 Leases on 1 January 2019. The nature and effect of changes arising from these standards are summarised below.

AASB 9 Financial Instruments
AASB 9 Financial instruments replaced AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an expected credit loss model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. There was no impact on adoption of the new accounting standard.

AASB 15 Revenue from Contracts with customers
AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 and covers contracts for goods and services. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards.

The Group adopted AASB 15 from 1 July 2019 but does not derive any revenue from activities at this stage, as such has not recognised any operating revenue. Eventually when the Group starts generating revenue, revenue will be recognised in accordance with AASB 15. There is no impact from the transition from AASB 118 to AASB 15.

AASB 16 Leases
The Group adopted AASB 16 from 1 January 2019, which replaces AASB 117 Leases and some lease-related Interpretations. AASB 16:

- Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases.
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting
- Largely retains the existing lessor accounting requirements in AASB 117
- Requires new and different disclosures about leases

On adoption of AASB 16, the Group recognises on its balance sheet the minimum lease payments under its lease arrangements as 'right-of-use assets' with a corresponding financial lease liability. The financial liability is adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognised previously recognised under AASB 117 is replaced with a depreciation charge for the leased asset (included in operating costs), and an interest expense on the recognised lease liability (included in finance costs). There was no impact of adoption of AASB 16 as the Group did not have any long-term leases as at and during the periods presented.

6.4 Impact of COVID-19 on the Group's financial information

Refer to Section 9.4.8 for details of the impact on Island Pharmaceuticals' business and strategies in light of COVID-19.

6.5 Historical consolidated statement of operations

The table below presents the summary pro forma historical statement of operations of Isla Pharmaceuticals for FY2017, FY2018, FY2019, 1HY2020 and 1HY2019 (including the applicable foreign rate to translate Isla Pharmaceuticals from US Dollars to Australian Dollars). The audited and reviewed historical statement of operations in US Dollars are included in Appendix B.

TABLE 6.1 HISTORICAL STATEMENT OF OPERATIONS

$'000	Pro forma Year ended 31 December 2018	Pro forma Year ended 31 December 2019	Pro forma Six months ended 30 June 2020	Pro forma Six months ended 30 June 2019
FX rate (USD:AUD)	***0.748***	***0.695***	***0.658***	***0.706***
General and administrative expenses	(304)	(277)	(157)	(153)
Research and development expenses	(126)	(961)	(77)	(481)
Total costs and expenses	(430)	(1,238)	(234)	(634)
Loss from operations	(430)	(1,238)	(234)	(634)
Net loss	**(430)**	**(1,238)**	**(234)**	**(634)**

6.6 General factors affecting the historical operating results of Island Pharmaceuticals

Below is a discussion on the main factors which affected Isla Pharmaceuticals' operations and relative financial performance in FY2018, FY2019 and 1HY2020 which Island Pharmaceuticals expects may continue to affect it in the future. The discussion of these general factors is intended to provide a summary only and does not detail all the factors that affected Isla Pharmaceutical's historical operating and financial performance, nor everything which may affect Island Pharmaceuticals operations and financial performance in the future.

6 .6.1 Management discussion and analysis of the Historical statement of operations Island Pharmaceutical is at a pre-revenue stage currently advancing toward stage 2 clinical trials of the Isla101 compound. As such majority of the historic operating expenditure lies within general and administration and research and development.

General and administration mainly represents costs incurred in relation to consultants for business development and grant applications, office expenses and professional services. Consulting expenses have declined in FY19 and 1HY20 as a business development consultant was not engaged past March 2019.

Research and development costs reflect costs associated with manufacturing for clinical trials to date as well as patent expenses. Manufacturing material costs in FY19 were incurred in relation to testing manufacturing of the compound from active ingredients which was not repeated in 1HY20.

Historical statement of cash flows

The table below presents the summary pro forma historical statement of cash flows for Isla Pharmaceuticals for FY2018, FY2019, 1HY2020 and 1HY2019(including the applicable foreign rate to translate Isla Pharmaceuticals from US Dollars to Australian Dollars). The audited and reviewed historical statement of cash flows in US Dollars are included in Appendix B.

6. Financial Information

TABLE 6.2 HISTORICAL STATEMENT OF CASH FLOWS

$'000s	Pro forma Year ended 31 December 2018	Pro forma Year ended 31 December 2019	Pro forma Six months ended 30 June 2020	Pro forma Six months ended 30 June 2019
FX rate USD: AUD	***0.748***	***0.695***	***0.658***	***.706***
Operating cash flow	(430)	(1,238)	(234)	(634)
Share based compensation	43	49	37	24
Movement in working capital	11	184	(45)	58
Net operating cash flows	**(376)**	**(1,005)**	**(242)**	**(552)**
Financing activities				
Proceeds from issuance of Series A preferred stock (net of offering costs)	1,582	–	–	–
Proceeds from issuance of Series C preferred stock (net of offering costs)	–	–	799	–
Deferred offering costs	12	–	–	–
Net financing cash flows	**1,595**	**–**	**799**	–
FX Translation movement	(38)	19	13	3
Net change in cash and cash equivalents held	1,181	(986)	570	(548)
Cash and cash equivalents at the beginning of the financial year	**35**	**1,216**	**230**	**1,216**
Cash and cash equivalents at the end of the financial year	**1,216**	**230**	**800**	**668**

Management discussion and analysis of the Historical cash flows
Isla Pharmaceuticals has had limited operations over the historical period with minimal working capital movements.

Negative cash flows from operating activities were reduced in 1HY20 compared to FY19 due to the reduction in trial activities with the Isla101 compound.

The lossmaking operations have been historically funded by the issue of Series A (in FY18) and Series C (in 1HY20) Preferred Stock.

6.7 Historical and pro forma consolidated statement of financial position

6.7.1 Consolidated statement of financial position

The table below sets out the reviewed historical statement of financial position for Island Pharmaceuticals as at 30 June 2020, the pro forma adjustments that have been made to the reviewed statement of financial position (further described in Section 6.7.2) and the pro forma statement of financial position as at 30 June 2020. The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Island Pharmaceuticals view of its future financial position.

TABLE 6.3 HISTORICAL AND PRO FORMA STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 $'000s	Island Pharmaceuticals Limited	Isla Pharmaceuticals Inc. Restructure* and pre IPO	Impact of the Offer	Pro forma
Assets				
Cash and cash equivalents	–	993	6,509	7,502
Total assets	**–**	**993**	**6,509**	**7,502**
Liabilities				
Trade payables	1	–	–	1
Accruals	–	146	–	146
Total liabilities	**1**	**146**	**–**	**147**
Net assets	**(1)**	**847**	**6,509**	**7,335**
Issued capital	–	15,963	6,410	22,374
Accumulated losses	(1)	(2,030)	(200)	(2,231)
Reserves	–	(13,086)	298	(12,788)
Total equity	**(1)**	**847**	**6,509**	**7,355**

* for a description of the Restructure, please refer to section 11.2.

6.7.2 Description of pro forma adjustments

The following transactions and events had not occurred prior to 30 June 2020, but have taken place or will take place on or before the Allotment Date. The pro forma financial information in this Section 6.7.2 assumes that they occurred on or before 30 June 2020.

6.7.2.1 Issue and receipt of funds from a convertible note amounting to $0.19 million in February 2021 and subsequent conversion to 968,466 Shares;

6.7.2.2 The completion of the Offer, raising $7.5 million at $0.25 per Share;

6.7.2.3 Cash expenses associated with the Offer (including advisory, legal, accounting and administrative expenses) amount to $1.1 million, of which $0.79 million is to be capitalised and $0.31 million is to be expensed. As at 30 June 2020, $0.1 million of costs have already been paid and approximately $0.65 million of costs have already been incurred as at the date of the Prospectus; and

6.7.2.4 Issue of the Broker Options amounting to a value of $0.29 million (refer to Section 11.11.1 for further details).

6. Financial Information

6.7.3 Description of pro forma adjustments

The following transactions and events had not occurred prior to 30 June 2020, but have taken place or will take place on or before the Allotment Date. The pro forma financial information in this Section 6.7.2 assumes that they occurred on or before 30 June 2020.

6.7.3.1 The completion of the Offer, raising $7.5 million at $0.25 per Share;

6.7.3.2 Cash expenses associated with the Offer (including advisory, legal, accounting and administrative expenses) amount to $0.99 million, of which $0.68 million is to be capitalised and $0.31 million is to be expensed; and

6.7.3.3 Issue of the Broker Options amounting to a value of $0.29 million (refer to Section 11.11.1 for further details)

6.7.4 Calculation of the pro forma cash position

The table below sets out the reviewed cash and cash equivalents of Island Pharmaceuticals as at 30 June 2020, the pro forma adjustments that have been made to the reviewed cash and cash equivalents (further described in Section 6.7.2) and the Group's pro forma cash and cash equivalents as at 30 June 2020.

Island Pharmaceuticals expects that it will have sufficient cash to fund its operational requirements and business objectives following completion of the Offer.

TABLE 6.4 REVIEWED AND PRO FORMA CASH AND CASH EQUIVALENTS AS AT 30 JUNE 2020

$'000	Pro forma
Island Pharmaceuticals at 30 June 2020	–
Isla Pharmaceuticals at 30 June 2020	800
Pro forma transactions:	
Receipt from issue of Convertible notes (February 2021)	193
Proceeds from the Offer	7,500
Cash offer costs remaining to be paid	(991)
Pro forma cash and cash equivalents	**7,502**

6.7.5 Calculation of the pro forma capital structure

The pro forma capital structure shown below is based on the following adjustments:

TABLE 6.5 PRO FORMA CAPITAL STRUCTURE

	No. of shares	No. of options	Issued capital $'000	Reserves $'000	Accumulated losses $'000
As at 30 June 2020	1	–	–	–	(1)
Subsequent events					
Convertible notes	968,466	–	194	–	(1)
Acquisition	–	–	13,079	–	–
Acquisition of Isla Pharmaceuticals Inc.	2,944,036	493,500	2,690	(7)	(2,029)
Acquisition accounting	–	–	–	(13,079)	–
Share split (1:17 shares)	47,055,963	–	–	–	–
Pre Offer capital structure	**50,968,466**	**493,500**	**15,963**	**(13,086)**	**(2,031)**
Pro forma transactions in relation to the Offer					
Offer	30,000,000	–	7,500	–	–
Offer costs	–	–	(791)	–	(200)
Broker options	–	3,669,744	(298)	298	–
Total	**80,968,466**	**4,656,744**	**22,374**	**(12,788)**	**(2,231)**

6.7.6 Dividend policy

No assurance can be given by the Company or its Directors about the payment of any dividend or distribution, or the level of franking on any such dividend.

Section 7
Independent Accountants Report

Grant Thornton

The Board of Directors
Island Pharmaceuticals Limited
c/o Bio101 Financial Advising Pty Ltd
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25 February 2021

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

Introduction

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") has been engaged by Island Pharmaceuticals Limited ("Island Pharmaceuticals" or "the Group") to prepare this report for inclusion in the prospectus (the "Prospectus") to be issued by the Group on or about 25 February 2021 in respect of the initial public offering of fully paid ordinary shares in the Group (the "Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope

Grant Thornton Corporate Finance has been engaged by the Directors to perform a limited assurance engagement in relation to the following historical and pro forma financial information of the Group included in the Prospectus:

Statutory Historical Financial Information - Isla Pharmaceuticals Inc.

- The historical statement of operations for the financial years ended 31 December 2018 ("FY2018") and 31 December 2019 ("FY2019") and the six months ended 30 June 2020 ("1HY2020") together with 30 June 2019 comparative financial information which are included in Appendix B of the Prospectus;
- The historical statement of cash flows for FY2018 and FY2019 and the six months ended 30 June 2020 with the 30 June 2019 comparative financial information which are included in Section B of the Prospectus; and
- The historical balance sheet as at 30 June 2020 which is included in Section 8.7 of the Prospectus.

(together the "Isla Statutory Historical Financial Information").

6. Independent Accountants Report

Pro Forma Historical Financial Information – Island Pharmaceuticals Limited

- The pro forma historical statement of operations for FY2018, FY2019 and 1HY2020 together with 30 June 2019 comparative financial information which are included in Section 8.5 of the Prospectus;
- The historical statement of cash flows for FY2018 and FY2019 and the six months ended 30 June 2020 with the 30 June 2019 comparative financial information which are included in Section 8.6 of the Prospectus; and
- The pro forma historical consolidated balance sheet as at 30 June 2020 which is included in Section 8.7 of the Prospectus and the pro forma adjustments applied to the historical balance sheet as at 30 June 2020.

(together the "Island Pro Forma Historical Financial Information").

As described in Section 8.2 of the Prospectus the Isla Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in accounting principles generally accepted in the United States of America and the Group's adopted accounting principles.

As described in Section 8.2 of the Prospectus the Island Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards ("IFRS") and the Group's adopted accounting principles applied to the Isla Statutory Historical Financial Information, the Island Pro Forma Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Island Pro Forma Historical Financial Information. Due to its nature, the Island Pro Forma Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance, or cash flows.

The Island Pro Forma Historical Financial Information has been derived from the audited consolidated financial statements of Island Pharmaceuticals Limited as at the date of incorporation and the audited financial statement s of Isla Pharmaceuticals Inc. for FY2018 and FY2019 and reviewed financial statement of Isla Pharmaceuticals Inc. for 1HY20. The financial statements of Island Pharmaceutical Limited were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The financial statements of Isla Pharmaceuticals Inc. were audited and the interim half year financial statements reviewed by Horne LLP in accordance with auditing standards generally accepted in the United States of America. The audit opinion issued to the Directors of Island Pharmaceuticals Limited was unqualified. The audit opinion and review conclusion issued to the Directors of Isla Pharmaceuticals Inc. for each of the respective periods was unqualified but included an emphasis of matter in relation to going concern.

The Island Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

DIRECTORS' RESPONSIBILITY

The Directors are responsible for:

- the preparation and presentation of the Isla Statutory Historical Financial Information and the Island Pro Forma Historical Financial Information, including the selection and determination of the Pro Forma Adjustments made to the Isla Statutory Historical Financial Information and included in the Island Pro Forma Historical Financial Information; and
- the information contained within the Prospectus.

This responsibility includes the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Isla Statutory Historical Financial Information and the Island Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Isla Statutory Historical Financial Information and the Island Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Isla Statutory Historical Financial Information or the Island Pro Forma Historical Financial Information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

- consideration of work papers, accounting records and other documents of the Group, including those dealing with the extraction and compilation of the Isla Statutory Historical Financial Information from the audited financial statements of Isla Pharmaceuticals Inc. for the years ended 31 December 2018 and 31 December 2019 and reviewed financial statements for the six months ended 30 June 2020 including the 30 June 2019 comparative financial information and the extraction and compilation of the Island Pro Forma Historical Financial information from the audited financial statements of the Island Pharmaceuticals Limited at the date of incorporation;
- enquiry of the Directors, management and others in relation to the Isla Statutory Historical Financial Information and Island Pro Forma Historical Financial Information;
- analytical procedures on the Isla Statutory Historical Financial Information and Island Pro Forma Historical Financial Information ;
- a review of the work papers, accounting records and other documents of the Group and its auditors;
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies, as described in the Prospectus, to the Isla Statutory Historical Financial Information and Island Pro Forma Historical Financial Information ; and
- consideration of the appropriateness of the Pro Forma Adjustments described in Section 8.5, Section 8.6 and Section 8.7 of the Prospectus.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

6. Independent Accountants Report

We have assumed, and relied on representations from certain members of management of the Group, that all material information concerning the Isla Statutory Historical Financial Information, the Island Pro Forma Historical Financial Information and historical operations of the Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Conclusions

Isla Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Isla Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 8.2 of the Prospectus.

Island Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Island Pro Forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 8.2 of the Prospectus.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 8.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, this Independent Limited Assurance Report may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance Pty Limited has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance Pty Limited is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully,

GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke

Partner

Grant Thornton Corporate Finance Pty Ltd
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Appendix A (Financial Services Guide)

This Financial Services Guide is dated 25 February 2021.

1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by Island Pharmaceuticals Limited and its controlled entities ("Island Pharmaceuticals" or "the Group") to provide a report in the form of an Independent Limited Assurance Report (the "Report") for inclusion in a Prospectus dated on or about 25 February 2021 (the "Prospectus") relating to the offer of fully paid ordinary shares in the Group (the "Offer"). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

6. Independent Accountants Report

4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the Report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, Grant Thornton Corporate Finance will receive from the Group a fee of $120,000 (excluding GST) which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd.

None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the Report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Independence

Grant Thornton Corporate Finance is required to be independent of Island Pharmaceuticals in order to provide this Report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Island Pharmaceuticals Limited (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA who can be contacted at:

Australian Financial Complaints Authority

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678 (free call)

Email: info@afca.org.au

Grant Thornton Corporate Finance is only responsible for the Report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance

Grant Thornton Corporate Finance Pty Ltd

Level 17, 383 Kent Street

Sydney, NSW, 2000

#4387107v2

Section 8
Intellectual Property Report

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Patent & Trade Mark Attorneys
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Allens › ‹ Linklaters

22 January 2021

The Directors
ISLA Pharmaceuticals
c/- K&L Gates
Level 25
525 Collins Street
Melbourne Victoria 3000

Dear Sirs

Intellectual Property Report

1 Background and Scope

Allens Patent & Trade Mark Attorneys (***Allens***) has been instructed by ISLA Pharmaceuticals (***ISLA***) to prepare this Report for inclusion in a Prospectus to be issued by Island Pharmaceuticals Ltd. (***Island***).

Allens has been informed that Island is a drug research and repurposing company, focused on developing preventative or therapeutic drugs for viral infections. Island has a lead program developing a therapy for dengue fever. This program was initiated by Island's wholly owned subsidiary, ISLA.

Allens has been instructed to provide the details and status of patent matters in the intellectual property portfolio referred to in this Report.

The Report is current as at 22 January 2021. Allens is not aware of any material changes expected to occur to the status of the matters outlined below, except where indicated.

2 Overview of Intellectual Property (IP) Protection

Intellectual Property (**IP**) includes patents, registered designs, trade marks, copyright, plant breeder's rights, and know how or trade secrets.

2.1 Patents

(a) What is a patent?

A patent is a monopoly granted by a government for a standard period of up to 20 years. A patent provides an enforceable legal right to prevent others from exploiting an invention, which may be a product, device, system, substance, process or method, in the country of grant.

For an invention to be patentable, it must be novel, involve an inventive step (not obvious) and useful at the time of filing the initial patent application for that invention. At 18 months from the filing date of the initial patent application, the detailed description of the invention is published.

8. Intellectual Property Report

In order to secure patent protection, a patent application is filed with the Patent Office in each country of interest, the application is considered under the patent laws of that country, and a patent will issue if the application meets the patentability criteria of that country.

After a patent expires or lapses, anyone can then use the invention.

(b) Patent validity

The grant of a patent does not guarantee validity and a patent may be challenged by third parties at a Patent Office, by re-examination in some countries, or through the courts by revocation proceedings.

The grant of a valid patent does not mean that the invention may be exploited in a given country without infringing third party IP rights in that country.

(c) Patent infringement

The owner of a patent has the exclusive right to prevent others from making, selling, importing or otherwise using the patented invention for the life of the patent.

Patent infringement occurs when someone makes, hires, uses, imports or sells the patented invention, or a product made by a patented method, or offers to do any of these things, within the country covered by the patent without the permission of the owner of the patent.

(d) Renewal fees

Patent applications and patents are subject to payment of renewal fees over the life of the patent in order to maintain patent rights. If the renewal fees are not paid then the application or patent may lapse.

Allens has determined that at the time of this Report there are no renewal fees payable in respect of the patent portfolio.

2.2 International Conventions

Australia is a signatory to a number of international conventions which relate to intellectual property. Many of these conventions are administered by the World Intellectual Property Organisation (WIPO), which is an agency of the United Nations. Some of the more important conventions are listed below.

(a) Paris Convention

The substantive provisions of the Paris Convention fall into three main categories: national treatment, right of priority, common rules.

Under the provisions on national treatment, the Convention provides that, as regards the protection of industrial property, each Contracting State must grant the same protection to nationals of other Contracting States that it grants to its own nationals. Nationals of non-Contracting States are also entitled to national treatment under the Convention if they are domiciled or have a real and effective industrial or commercial establishment in a Contracting State.

The Convention provides for the right of priority in the case of patents (and utility models where they exist), marks and industrial designs. This right means that, on the basis of a regular first application filed in one of the Contracting States, the applicant may, within a certain period of time (12 months for patents and utility models; 6 months for industrial designs and marks), apply for protection in any of the other Contracting States. These subsequent applications will be regarded as if they had been filed on the same day as the first application. In other words, they will have priority (hence the expression "right of priority") over applications filed by others during said period of time for the same invention, utility model, mark or industrial design. Moreover, these subsequent applications, being based on the first application, will not be affected by any event that takes place in the interval, such as the publication of an invention or the sale of articles bearing a mark or incorporating an industrial

design. One of the great practical advantages of this provision is that applicants seeking protection in several countries are not required to present all of their applications at the same time but have 6 or 12 months to decide in which countries they wish to seek protection, and to organize with due care the steps necessary for securing protection.

The Convention lays down a few common rules that all Contracting States must follow. The most important are:

(i) Patents

Patents granted in different Contracting States for the same invention are independent of each other: the granting of a patent in one Contracting State does not oblige other Contracting States to grant a patent; a patent cannot be refused, annulled or terminated in any Contracting State on the ground that it has been refused or annulled or has terminated in any other Contracting State.

The inventor has the right to be named as such in the patent.

(ii) Marks

The Paris Convention does not regulate the conditions for the filing and registration of marks which are determined in each Contracting State by domestic law. Consequently, no application for the registration of a mark filed by a national of a Contracting State may be refused, nor may a registration be invalidated, on the ground that filing, registration or renewal has not been effected in the country of origin. The registration of a mark obtained in one Contracting State is independent of its possible registration in any other country, including the country of origin; consequently, the lapse or annulment of the registration of a mark in one Contracting State will not affect the validity of the registration in other Contracting States.

Where a mark has been duly registered in the country of origin, it must, on request, be accepted for filing and protected in its original form in the other Contracting States. Nevertheless, registration may be refused in well-defined cases, such as where the mark would infringe the acquired rights of third parties; where it is devoid of distinctive character; where it is contrary to morality or public order; or where it is of such a nature as to be liable to deceive the public.

If, in any Contracting State, the use of a registered mark is compulsory, the registration cannot be cancelled for non-use until after a reasonable period, and then only if the owner cannot justify this inaction.

Each Contracting State must refuse registration and prohibit the use of marks that constitute a reproduction, imitation or translation, liable to create confusion, of a mark used for identical and similar goods and considered by the competent authority of that State to be well known in that State and to already belong to a person entitled to the benefits of the Convention.

(iii) Industrial Designs.

Industrial designs must be protected in each Contracting State, and protection may not be forfeited on the ground that articles incorporating the design are not manufactured in that State.

(b) Patent Cooperation Treaty (PCT)

The Patent Cooperation Treaty enables applicants to seek patent protection for an invention simultaneously in each of a large number of countries by filing an 'international' patent application.

Such an application may be filed by anyone who is a national or resident of a PCT contracting state.

8. Intellectual Property Report

The filing of a PCT application automatically designates all PCT contracting states. The effect of the international application in each designated state is the same as if a national patent application had been filed with the national patent office in that state.

The practical advantage of using the PCT system is that the effective filing date and associated fees for each of the designated countries can be deferred by a further 18 or 19 months (country dependent) from the initial 12 month priority deadline available under the Paris Convention.

An application is in the 'international phase' from that date on which the PCT application is filed until such time that national applications (or in the case of the European Patent Convention, regional applications) are filed. Once the national and/or regional applications are filed, the application is in the 'national phase'.

(i) International Search Report

The PCT is subjected to an 'international search'. The international search is carried out by one of the major patent offices and results in an international search report (ISR) which includes a listing of published documents that may affect patentability of the invention claimed in the international application.

(ii) Written opinion/international preliminary report on patentability (IPRP)

In addition to the ISR, a preliminary and non-binding, written opinion on whether the invention appears to meet patentability criteria in light of the search report results is issued.

The ISR and written opinion are communicated to the applicant who, after evaluating their content, may decide to withdraw the application, if for example, the content of the ISR and opinion suggest that the granting of patents is unlikely. Alternatively, the applicant may decide to amend the claims in the application to address any issues raised in the opinion.

The applicant may respond to the written opinion by filing a request for “international preliminary examination”. The response may include amendments to the application, for example, in order to more clearly distinguish the invention from the disclosures made in documents identified in the search report. The result of the preliminary examination is an 'International Preliminary Report on Patentability' (IPRP) which contains, a preliminary and non-binding opinion on the patentability of the claimed invention.

The international search and written opinion is intended to provide a preliminary and non-binding opinion only on patentability of the claimed invention, and is not intended to indicate whether commercial exploitation of the applicant’s invention may infringe the rights of others.

(c) European Patent Convention (EPC)

The European Patent Convention (EPC) provides a legal framework for granting of European patents via a single harmonized procedure before the European Patent Office. A single patent application is filed at the European Patent Office in one language, the invention is searched and examined, and a patent is ultimately granted. The European patent is than validated and maintained in one or more EP states of interest.

The EPC covers: Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Former Yugoslav Republic of Macedonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Liechtenstein, Lithuania, Luxembourg, Latvia, Monaco, Malta, The Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

(d) National patents

There is no such thing as a 'global' or 'worldwide patent'. In order to obtain protection for an invention, whether in Australia or overseas, a national patent application must be filed in each jurisdiction of interest.

Most national patent offices will conduct their own comprehensive search and examination to determine whether the application meets the national requirements for patentability. Such search and examination may result in objections being raised. If an objection raised by a national patent office cannot be overcome by amendment to the claims and/or by argument, the application will be refused.

The grant of a patent in one country does not guarantee the grant of a patent for the same invention in another country. Similarly, a challenge to the validity of a patent must generally be made in the country of interest. It is only on the grant of a patent in a given country that the patentee will have enforceable rights in that country for the invention defined in the claims of the granted patent.

(e) Overview of the patenting process

The patenting process involves a number of steps. The typical first step is to file a provisional patent application. A provisional patent application establishes a first 'priority date' for the invention described in the application and provides a period of 12 months within which the invention may be further developed before filing a complete patent application. A provisional patent application is not examined, lapses after a period of 12 months, and is only published if it is the subject of a priority claim in a complete application.

In order to maintain the priority date established by the provisional patent application, a complete application must be filed before the end of the 12 month period. Where patent protection is required in number of countries, the complete application may be a PCT application pursuant to the Patent Cooperation Treaty described above. The PCT application defers the national application filing deadline in countries which are a signatory to the PCT for a further 18 or 19 months.

After the international phase of the PCT application which involves the international search and written opinion as described above, the 'national phase' (or 'regional phase' in the case of the EPC), is entered in the countries of interest. Once the national phase is entered, each application proceeds to examination before the respective national patent office to determine whether the application meets the national requirements for patentability.

In some situations, a PCT application is not filed and complete applications are filed before the end of the 12 month period directly in the countries of interest under the Paris Convention as described above.

2.3 Trade Marks

(a) What is a trade mark?

A trade mark is a sign used to distinguish the goods and services of one trader from those of another.

A registered trade mark is a right that is granted in a given country or region for a sign such as letter, number, word, phrase, sound, smell, shape, logo, picture and/or aspect of packaging. A registered trade mark is legally enforceable and gives the owner exclusive rights to commercially use, licence or sell the trade mark for the goods and services in the country or region in which it is registered.

8. Intellectual Property Report

A trade mark can be used prior to seeking registration. In some countries, the first person to register the trade mark has the legal rights to the trade mark in that country, even if it has been previously used by another party.

Rights in an unregistered trade mark only arise where a substantial reputation has been developed in the relevant trade mark by use of the trade mark in a given geographical area.

(b) Trade mark renewal

A trade mark is registered initially for 10 years and, if continued to be used for the goods or services in the country of the registration, can be maintained indefinitely by payment of periodic renewal fees (usually every 10 years) in the country of registration.

(c) Trade mark infringement

To establish trade mark infringement it is necessary to establish that the potentially infringing trade mark is being used on the same or similar goods or services for which the trade mark is registered and the alleged infringer's brand or trade mark is sufficiently similar to the registered trade mark to cause confusion in the market place regarding the origin of the product.

(d) Madrid Protocol

An application for international registration (an “international application”) may be filed by a national of a country which is party to the Madrid Agreement or the Madrid Protocol. The one application, based on a home country registration, can be filed designating one or more countries of the Madrid Agreement.

International registration has several advantages for the owner of the trade mark. After registering the mark in the home country, or filing an application for registration, there is only the need to file one international application, in one language, and pay one fee instead of filing separately in the trade mark offices of the various contracting parties in different languages and paying a separate fee in each office.

A further important advantage is that changes subsequent to registration, such as a change in the name or address of the holder, or a change (total or partial) in ownership or a limitation of the list of goods and services may be recorded with effect for several designated contracting parties through a single simple procedural step and the payment of a single fee. Moreover, there is only one expiry date and only one registration to renew.

(e) Overview of trade mark process

An application to register a trade mark is filed at a national trade mark office providing a copy of the trade mark together with a description of the goods and or services for which the trade mark will be used. These goods or services fall into one or more International Classes (1 to 45).

The application is examined to ensure that the trade mark sought is adapted to distinguish the goods or services, is not the same or similar to other trade marks registered for the same of similar goods or services. It the trade mark meets the registration criteria, the application will be allowed, published and open to opposition by third parties, then registered for an initial 10 years.

Foreign trade mark applications may be filed within 6 months to claim priority from the first application, or filed at any time as the business or commercialization efforts expand to other countries or regions.

3 ISLA Pharmaceuticals Patent Portfolio

Annexure 1 to this Report provides details of the patent applications relevant to the ISLA Pharmaceuticals patent portfolio.

As shown in Annexure 1, the patent portfolio covers one invention covered by a number of patent applications in the name of Monash University for a 'Method of viral inhibition', an overview of which is as follows.

3.1 Method of viral inhibition

This patent family is derived from PCT/AU2014/050017, filed in the name on Monash University and claims priority from Australian provisional patent application no 2013901525 filed on 16 April 2013.

The invention disclosed in these applications relates to methods of treating and preventing viral infections caused by flaviviruses, such as dengue virus, yellow fever virus, West Nile virus and Japanese encephalitis virus or infections caused by Chikungunya virus. The methods involve the administration of retinoic acid analogues, such as fenretinide, to subjects who have are suspected of having a flavivirus infection or infection with Chikungunya virus. The methods may also involve the administration of retinoic acid analogues, such as fenretinide, to subjects who are at risk of becoming infected with a flavivirus or becoming infected with Chikungunya virus. The application describes various retinoic acid analogues, pharmaceutical ingredients, dosage forms, and dosing schedules.

As set out above at section 2.2 the international patent application (PCT/AU2014/050017) was used to file the national patent applications identified in Annexure 1, which form this patent family.

Allens makes no comment on the validity of any patent in this patent family and no inference in relation to the validity of any such patent should be drawn from this Report.

(a) License from Monash University and Deed of Novation

Monash University licensed this family to 60P Australia Pty Ltd (ACN 167 060 219). Subsequently, Isla, Monash and 60P Australia Pty Ltd executed a Deed of Novation, Termination and Amendment such that Isla replaced 60P Australia Pty Ltd as the licensee.

Allens makes no comment on the license or Deed of Novation, Termination and Amendment, or the terms thereof. No inference in relation to the license or Deed of Novation, Termination and Amendment should be drawn from this Report.

4 Trade Marks

Allens Patent & Trade Mark Attorneys is not aware of any Australian trade mark rights in the name of ISLA Pharmaceuticals.

5 Limitations and Disclaimers

5.1 Search Limitations

Prior art (or 'novelty') searches conducted by various patent offices to determine whether a patent should be granted are limited to the time periods and the geographical areas covered. Thus, databases used in searching may not include older published documents and may not cover certain jurisdictions. Moreover, searches cannot locate documents which have not been published at the time of conducting the search. In most countries, publication of a patent application does not occur until 18 months from the earliest priority date. Delays between official publication and the implementation of information onto the relevant databases can also occur.

All searches are limited to the accuracy and scope of the databases searched together with the search criteria adopted. Accordingly, whilst the searches conducted by various patent offices provide a reasonable indicator of patentability prospects, these and other factors make it not possible to guarantee that every relevant prior art record has been identified and considered. Accordingly, any conclusions drawn regarding the validity of claims in a patent based on patent office searches should be regarded as indicative rather than conclusive in nature.

8. Intellectual Property Report

No search can be considered as entirely conclusive or exhaustive as some forms of prior art such as public use, oral disclosures, prior commercial exploitation and prior publication in non-patent literature, cannot be searched systematically.

The commercialization or secret use of an invention that is subject of a patent application can affect the patentability of the invention and the validity of any patent granted on the invention. Such commercialization or secret use is unlikely to be identified by documentary searches of publicly accessible databases.

The views expressed in relation to relevance of prior art cited in various patent office searching and examination reports are based on the relevant patent document classification attributed in such reports.

Searching may not disclose other matters relevant to validity including, for example, matters relevant to obviousness or inventive step.

Examination and search reports in one country are not binding in other countries.

5.2 Duty of Disclosure

In some jurisdictions there is a duty to disclose certain information, such as examination reports from other patent offices or prior art known to the applicant or its agents, to the relevant patent office while an application is pending. Failure to disclose this information in accordance with these obligations may adversely affect the validity or enforceability of the relevant patent.

5.3 Grant of Patent Provides No Guarantee of Validity

Grant of a patent by a national patent office provides an indication rather than a guarantee of its validity. In most jurisdictions, a patent application is subject to substantive examination prior to grant. Although this process confers an initial presumption of validity, in most countries that 'presumption' carries no binding legal weight and a patent may be challenged at any time after grant by way of revocation proceedings undertaken in a court of competent jurisdiction. In some countries a granted patent may be subjected to re-examination by the relevant patent office, particularly if relevant prior art is identified that was not considered during the initial examination of the application.

5.4 Grant of Patent Provides No Guarantee of Non-Infringement

Grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention. For example, the working of an invention, even if validity patented, may nevertheless infringe an earlier patent or other intellectual property rights in the country of exploitation.

5.5 Entitlement to Priority

In order for an invention disclosed in a patent to be entitled to the priority date of a corresponding provisional application, the provisional application must disclose the invention in a manner that is clear enough and complete enough for the invention to be performed by a skilled person. Similar provisions apply in other jurisdictions. Subject matter not so disclosed is not entitled to the claim to priority which may affect patentability of an invention or validity of any patent that may be granted in respect of the invention.

5.6 Scope of Claims May Vary During Examination

It may be possible, and it is often necessary, during examination of a patent application to define the invention more specifically by amendment of the claims to distinguish the invention over relevant prior art or to meet national claiming requirements. Accordingly, there may be variations in the claims between countries reflecting in part different national examination procedures and

threshold patentability requirements. Such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

5.7 Enforcement of Patent Rights

Upon grant of a patent, the patentee may initiate infringement proceedings against an alleged infringer of the patent. In many jurisdictions, damages for infringement may be awarded for infringements occurring from the date of publication of the patent specification, provided certain criteria are met.

5.8 Changes to Patent Law

From time to time the statutory basis governing patents in particular jurisdictions may be amended by the relevant authority, typically the government of that jurisdiction. In addition, the practical effect of the statute may evolve by development of case law, that is, by the interpretation of the statute by the relevant courts.

5.9 Reliance on Information

The preparation of this Report has included access to and reliance on information contained in publicly available databases relevant to the patents and patent applications in Annexure 1. Allens is not responsible for the accuracy of information available in public databases and cannot guarantee the accuracy of those databases.

6 Allens' Interest

Allens is engaged by ISLA Pharmaceuticals for professional patent services and is involved in the prosecution of patent applications set out in the first table of Annexure 1.

7 Consent

Consent for the inclusion of this Report in a Prospectus to be issued by ISLA Pharmaceuticals, in the form in which it now appears, has been granted by Allens and has not been revoked as at the date of this Report.

Yours sincerely

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Attach

8. Intellectual Property Report

Annexure 1
ISLA Pharmaceuticals Patent Portfolio

1. Method of viral inhibition

Region	Priority Date	Filing Date	Number	Status
Australia	16 April 2013	16 April 2014	2014253607	Granted
Australia	16 April 2013	16 April 2014	2019213440	Pending
Brazil	16 April 2013	16 April 2014	BR 112015026243-0	Granted
Brazil	16 April 2013	16 April 2014	BR 12 2020 008439 1	Pending
Canada	16 April 2013	16 April 2014	CA 2945825	Pending
USA	16 April 2013	16 April 2014	14/785,059	Pending
Singapore	16 April 2013	16 April 2014	10201708272S	Granted
Singapore	16 April 2013	16 April 2014	10202011533P	Pending

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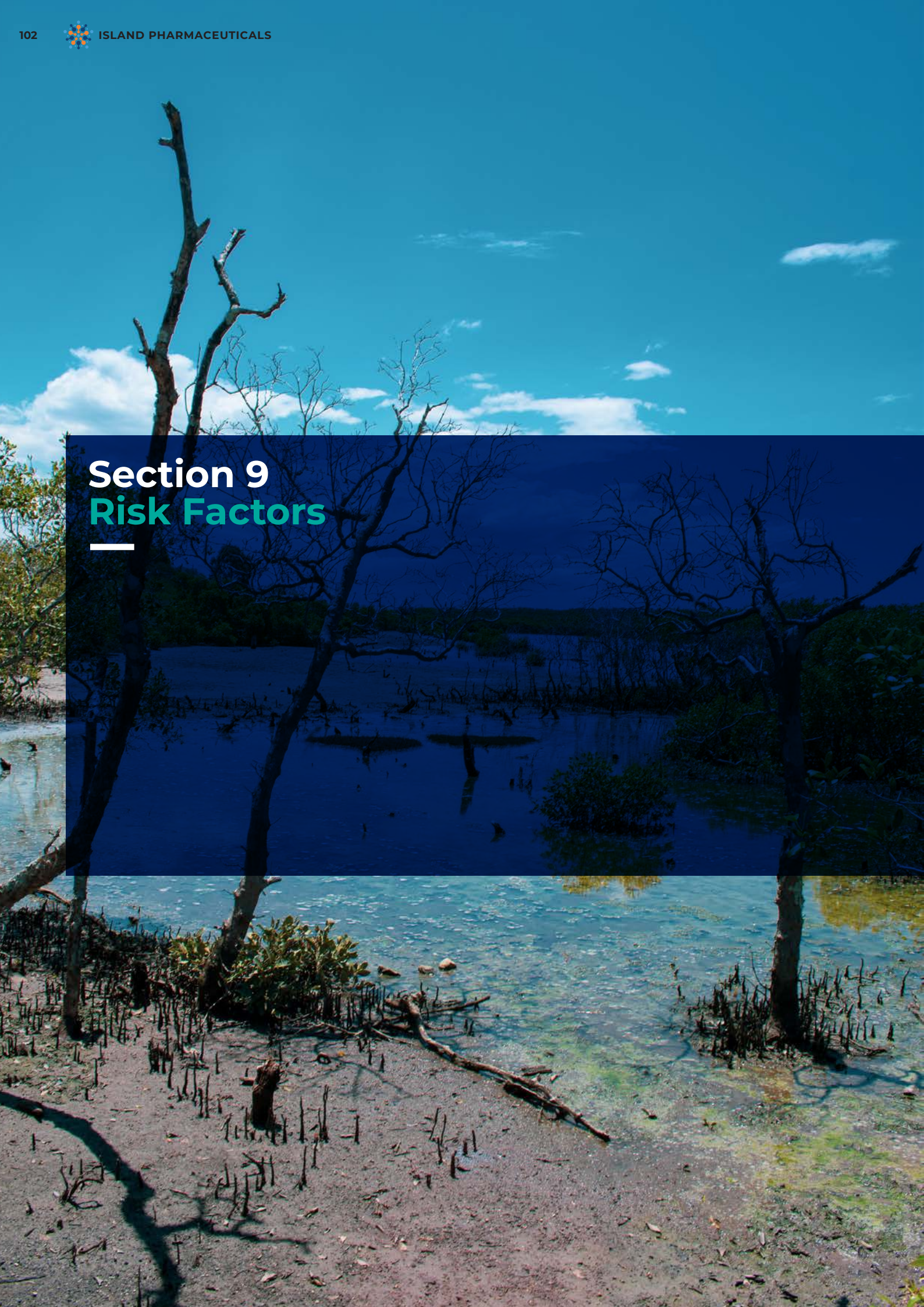


Section 9
Risk Factors

This Section 9 identifies some, but not all, of the major risks associated with an investment in the Company. Intending Applicants should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares.

9.1 Speculative nature of investment

Any potential investor should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. An investment in Shares of the Company should therefore be considered very speculative.

9.2 Business risks associated with the Company

9.2.1 Sufficiency of funding

The funding proposal (incorporated in the Company's Expenditure Program) detailed in this Prospectus is based on the Company's best estimation of cash flow projections and estimated expenditures for a 12 month period post Listing. The Company has limited operating history and may face difficulties encountered by similar early stage companies.

Island has finite financial resources and will need to raise additional funds from time to time to finance the complete development and commercialisation of its products and its other longer-term objectives. The Company's product development activities may never generate revenues and the Company may never achieve profitability. 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 Island was unable to raise future funding, its ability to achieve the milestones under this Prospectus or continue future development of its drug candidates would be significantly affected.

9.2.2 Competition

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 Island’s lead product candidate before Island’s approval, this will prevent the Company from obtaining a Priority Review Voucher for its lead product candidate.

9.2.3 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 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.

9.2.4 Reliance on key personnel

The Company currently employs a number of key management and scientific personnel, and the Company’s future depends on retaining and attracting suitably qualified personnel. The Company has included in its employment with key personnel provisions aimed at providing incentives and assisting in the recruitment

9. Risk Factors

and retention of such personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, however, there is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

9.2.5 Expenditure program

Island has not entered into contracts for a number of the material items anticipated to be covered by the Expenditure Program (except for contracts with Catalent and Camargo), nor does it have binding quotations in relation to such items. Rather, the Directors have determined that following the successful close of the Offer, Island will be well positioned to negotiate the exact terms for such contracts. Island has however indicative quotations for many of the major expenditures items. The Directors and executive team have extensive experience and have prepared the anticipated expenditure described in Section 4.5 based on discussions with potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident Island will be able to source suitable suppliers, there is a risk that Island may not be able to source those suppliers at the estimated expenditure in Section 4.5.

9.2.6 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.

9.2.7 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 Island's proposed NDA application and this would require Island to undertake more trials and cause a delay in Island'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 Island 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.

9.2.8 Disruption of business operations

The Company is exposed to a large range of operational risks relating to both current and future operations. Such operational risks include fraud/dishonesty by its employees or service providers, industrial action or disputes and natural disasters. While the Company endeavours to take appropriate action to mitigate these operational risks and, where the Directors consider it practicable, insure against them, the Company cannot remove all possible risks of disruption to its business operations. A disruption in the Company's operations/ service access may have an adverse impact on the Company's growth prospects, operating results and financial performance.

9.2.9 Dependence on service providers

The Company intends to operate a significant amount of its key clinical activities through a series of contractual relationships with independent contractors and suppliers. The Company relies on and will continue to rely on a number of its contractors for their expertise in manufacture and clinical development.

All of the Company's contracts carry a risk that the third parties do not adequately or fully comply with its or their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's product development efforts.

9.2.10 Commercialisation risks
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.

9.2.11 Risk of supply of cGMP product:
The Company has engaged a third party cGMP (Good Manufacturing Practice) contract manufacturer for Isla101. Should difficulties or delays occur in the cGMP production of Isla101 the timing of the clinical development and/or commercialisation as outlined in the Prospectus may be affected and may have an adverse impact on the financial performance of the Company.

9.2.12 Product liability
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.

9.2.13 Currency risk
Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Company's payment obligations under a majority of its material contracts are in foreign currencies (in particular, USD). Accordingly, payment will be made in USD and other currencies, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Company has no plans at this stage to hedge its foreign currency payments.

9.2.14 Contractual and counterparty risks
As a party to many contracts, the Company will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the counterparties to its contracts.

The Company's material contracts contain provisions providing for early termination of the contracts, on giving notice and paying a termination amount (which varies between the contracts). The early termination of any of these contracts, for any reason, may mean that the Company will not realise the full value of the contract, which is likely to adversely affect the growth prospects, operating results and financial performance of the Company.

Isla US has executed a Novation Agreement with Monash University for an exclusive license to an intellectual property portfolio directed to the use of Isla101 for Flavivirus indications.

9.2.15 Litigation
The Company is not currently involved in any material contractual disputes or litigation, arbitration or government prosecution matters. There is a risk that the Company may in the future have disputes with third parties (including payment disputes) and this may have an adverse impact on the Company's growth prospects, operating results and financial performance.

9. Risk Factors

9.3 The Company's IP

9.3.1 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 US 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.

9.3.2 Trade secrets

The Company relies on trade secrets, which include information relating to the manufacture, development and administration of its therapeutic products. The protective measures employed may not provide adequate protection for those trade secrets. This could erode the Company's competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology.

9.3.3 Infringement of third party IP

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products.

9.4 General risks

Most of the general risks discussed below are outside the control of the Company and the Directors and cannot be mitigated.

9.4.1 Market for Shares

Prior to the Offer there has been no public market for the Shares. No assurance can be given that an active market will develop in the Shares or that the Shares will trade at or above the Offer Price after the Shares have been listed on the Official List and after Official Quotation.

9.4.2 Stock market volatility

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. Investors who decide to sell their Shares after the Company's listing may not receive the entire amount of their original investment. The price of Shares listed on ASX may also be affected by a range of factors including the Company's financial performance and by changes in the business environment.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of national and international market factors that may affect the Share price including movements on international stock markets, economic conditions and general economic outlook, interest rates and exchange rates, inflation rates, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes and general investors' perceptions. Neither the Company nor its Directors have control over these factors.

9.4.3 General economic conditions
The general economic climate may affect the performance of the Company. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Company and their impact cannot be predicted.

9.4.4 Taxation
There are tax implications arising from buying and selling Shares, the receipt of dividends (both franked and unfranked) (if any) from the Company and participation in any on-market Share buy-back. Investors should seek their own independent taxation advice before applying for Shares.

9.4.5 Insurance risks
Although the Company maintains insurance, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

9.4.6 Government actions and other events
The impact of actions by domestic and international governments may affect the Company's activities, including in relation to its infrastructure, compliance with environmental regulations, export, taxation and royalties.

Events may occur within or outside Australia that could impact on the world economy, the market for the Company's product candidates, the Company's operations and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural disasters. The Company has only a limited ability to insure against some of these risks.

9.4.7 Unforeseen expenses
The proposed expenditure on the Company's projects may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus.

9.4.8 Impact of COVID-19
The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The global economic outlook is facing uncertainty due to the COVID-19 pandemic which has had and may continue to have a significant impact on capital markets and share prices. The Company's Directors are closely monitoring the situation and considering the impact on the Company's business from both a financial and operational perspective.

To date, COVID-19 has affected equity markets, governmental action, regulatory policy, quarantining, self-isolations and travel restrictions. These impacts are creating risks for the Company's business and operations in the short to medium term. The Company has in place business continuity plans and procedures developed to manage the keys risks, such as COVID-19, that may cause a disruption to the Company's business and operations.

Clinical trials may be subject to delays as a result of patient enrollment taking longer than anticipated or patient withdrawal. Subject enrollment may be affected by potential disruptions caused by the COVID-19 pandemic, including difficulties in initiating clinical sites, enrolling and retaining participants, diversion of healthcare resources away from clinical trials, travel or quarantine policies that may be implemented, and other factors.

9. Risk Factors

9.5 No independent valuation

No independent valuation has been undertaken of Island for the purposes of the listing. Valuations of biotechnology before commercial use can be imprecise.

9.6 Prospective information

No assurance as to future profitability or dividends can be given as they are dependent on successful product development, future earnings and the working capital requirements of the Company.

There can be no guarantee that the assumptions on which the financial forecasts and development strategies of the Board, or those upon which the Company bases its decisions to proceed, will ultimately prove to be valid or accurate. The forecasts and development strategies depend on various factors many of which are outside the control of the Company.

Changes in interest rates, exchange rates, government budgetary measures, relevant taxation and other legal regimes and Government policies may adversely affect the Company.

The Directors expect that the proceeds of the public capital raising and borrowings will provide sufficient capital resources to enable the Company to achieve its current business objectives. The Directors can give no assurance, however, that such objectives can be met without future financing or, if future financing is necessary, that it can be obtained on favourable terms.

9.7 Concluding comment

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Shares, including those offered by this Prospectus, will be achieved.

Section 10
Taxation

10. Taxation

10.1 Taxation Treatment of the Acquisition of Shares

The IPO involves the acquisition of Shares which will constitute an equity interest for Australian tax purposes. There are no immediate income tax consequences to the acquirer on the acquisition of equity interests.

10.2 Taxation Treatment of Dividends

The treatment of the dividends which may be paid to investors whilst holding shares will vary depending on whether or not the investor is an Australian resident or a non-resident Shareholder. The taxation treatment will also vary depending on the extent to which any dividends are franked.

10.2.1 Dividends Received by Australian Resident Investors

Dividends received by Australian resident investors will be assessable income for Australian tax purposes. Generally, both the amount of the cash dividend received and an amount equal to the franking credits attached to a franked dividend must be included in assessable income in the year of receipt. An Australian resident shareholder would then be entitled to a franking offset against the income tax on this assessable dividend income. However, it is important to note that securities must be held 'at risk' for a period of 45 days, in order for any investor to be able to claim an offset for franking credits.

The level of franking credits attached to such dividends will depend on the level of franking credits generated and available to the Company, through the payment by it of Australian company tax.

The tax treatment in respect of the dividends from ordinary shares will vary depending on the nature of the investor, as follows:

Individual Investors

An individual receiving a dividend that is unfranked will include the amount of the dividend in their assessable income, with tax being paid at the individual's marginal rate of tax.

Where the dividend is fully or partly franked, the individual's assessable income is grossed up to include the franking credit attaching to the dividend. The individual should then be entitled to a tax offset equal to the amount of the franking credit.

Where the individual's marginal rate of tax is greater than the applicable corporate tax rate (which is currently 30%, unless the company qualifies for the lower base rate entity tax rate of 26.0% for the income year ended 30 June 2021 and 25.0% for the income year ended 30 June 2022), further tax will be payable on the grossed up dividend. This is commonly referred to as "top-up tax".

Where the individual's marginal rate of tax is less than the applicable corporate tax rate, a tax offset is available to reduce tax payable on other income or alternatively results in a refund of the excess franking credits.

Corporate Investors

A corporate investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the applicable corporate tax rate (which is currently 30%, unless the company qualifies for the lower base rate entity tax rate of 26.0% or reducing to 25.0%).

Where dividends are franked, the corporate investor will be entitled to offset the franking credit against its tax liability for the year. To the extent that the franking credit exceeds the corporate investor's tax liability, the excess can be converted into a carry forward loss and offset against future taxable profits (subject to the loss testing rules for companies). Generally a corporate investor cannot receive a refund of franking credits (noting there are limited exceptions for certain entities).

Further, the franked dividend may give rise to a franking credit in the corporate investor's franking account.

Complying Superannuation Funds

Complying Superannuation Funds (which includes Self-Managed Superannuation Funds) are assessable on the dividend and gross up the franked dividend in the same way as individuals and corporate investors.

A Complying Superannuation Fund investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the rate of 15% (current, as at the date of this Prospectus).

Where dividends are franked, the Complying Superannuation Fund investor will include in its assessable income the amount of dividend received and the amount of any franking credits attached to that dividend. The Complying Superannuation Fund tax rate of 15% is then applied to the grossed up dividend. The franking credit is available to offset tax payable on other income of the Complying Superannuation Fund or alternatively results in a refund of the excess franking credits.

Trusts and partnerships
Investors who are trustees (other than trustees of Complying Superannuation Funds) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a share of the tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

10.2.2 Dividends Received by Non-Resident Investors

The taxation treatment of dividends received by non-resident investors will depend on whether the dividends paid are franked or unfranked.

Franked Dividends
Non-resident investors will not be subject to Australian withholding tax on fully franked dividends.

However, non-resident investors may be subject to income tax on the receipt of such dividends in their local jurisdictions.

Unfranked Dividends
It may be necessary for the Company to withhold tax from unfranked dividends paid to non-resident Shareholders and remit the tax to the ATO. Where unfranked dividends are paid to non-resident Shareholders, and the unfranked dividend is not declared to be "conduit foreign income", dividend withholding taxes must be deducted from the gross dividends paid.

The withholding tax rate on the payment of unfranked dividends per Australia's domestic income tax law is the applicable corporate tax rate. However, where the investor is resident of a country which Australia has entered into a double tax treaty with, then the rate at which withholding tax is applied will generally be lower, typically ranging from nil to 15%.

Again, non-resident investors may still be subject to income tax on the receipt of such dividends in their local jurisdictions but may be entitled to a credit for the Australian withholding tax applied.

10.3 Taxation Treatment of Disposal of Shares

As noted above, the following overview of Australian tax implications associated with the disposal of Shares is confined to investors who hold their shares on capital account.

10.3.1 Disposal of Shares by Australian Resident Investors

The disposal of a Share by an investor will give rise to a CGT event where the investor holds their Share on capital account. Australian tax resident investors will:

- make a capital gain where the capital proceeds received on the disposal of the Share exceed the cost base of the Share, or
- make a capital loss where the capital proceeds received on the disposal of the Share are less than the reduced cost base of the Share.

The capital proceeds will generally be equal to the amount received for the disposal of the Share. Broadly, the cost base and reduced cost base (subject to modifications) of a Share will be equal to the Issue Price of the Share plus any incidental costs of acquisition and disposal (such as brokerage).

10. Taxation

If an investor is an individual or complying superannuation entity and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder will generally be entitled to a "CGT discount" for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising (after applying any available capital losses) may be reduced by:

- 50% in the case of individuals, or
- one-third in the case of complying superannuation entities.

Investors that are companies are not entitled to a CGT discount.

Any resulting net capital gain is included in an investor's assessable income.

Where the disposal results in a net capital loss and the investor has no remaining capital gains to offset, the capital loss is carried forward and may be available to be offset against capital gains in future years (subject to the satisfaction of any applicable loss recoupment rules). Capital losses cannot be used to reduce ordinary assessable income (only capital gains).

10.3.1 Disposal of Shares by Non-resident Investors
Generally, for Australian income tax purposes, non-resident shareholders can disregard the capital gain or capital loss arising from the disposal of shares in Australian resident companies under Division 855 of the ITAA 1997.

Notwithstanding the above comments, certain non-resident shareholders will still be subject to Australian CGT where the Shares constitute Taxable Australian Property ("TAP"). Broadly, the Shares should only constitute TAP if both of the following requirements are satisfied:

- the investor (together with any associates) holds an interest of at least 10% of the Shares in the Company at the time of the disposal, or for a 12 month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (i.e. more than 50% of the market value of the Company's assets is comprised of Australian real property interests).

Based on the understanding that the Company is not currently land rich, any capital gain or loss arising to a non-resident investor on disposal of the Shares is not expected to relate to TAP and should therefore be disregarded. However, this would need to be assessed at the time of disposal.

10.4 Quotation of Tax File Number

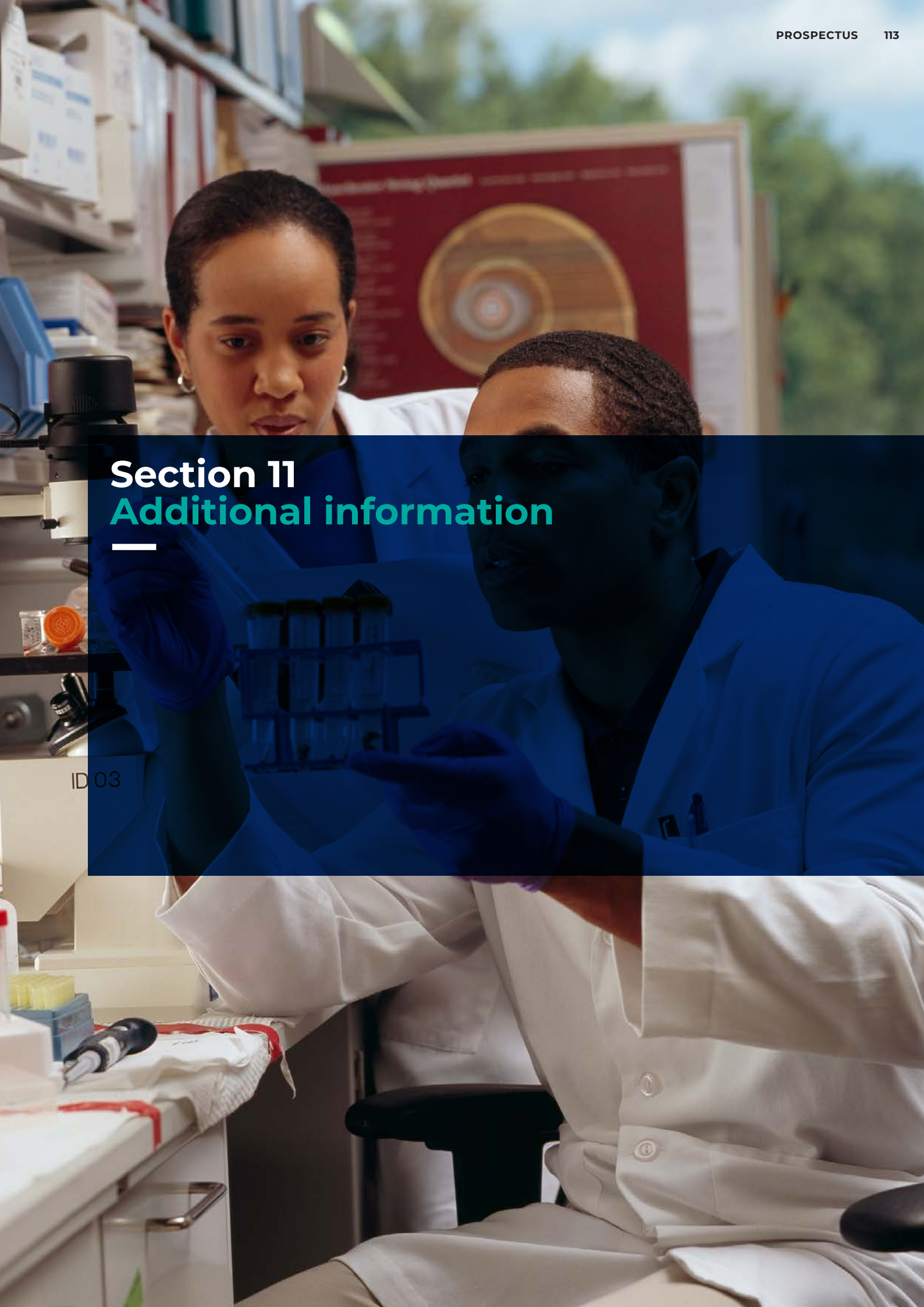
It is not compulsory for Australian resident Shareholders to provide the Company with details of their Tax File Number ("TFN") or Australian Business Number ("ABN"). However, a failure to quote a TFN or ABN (or proof of exemption) to the Company will result in the Company being required to withhold and remit tax at the top marginal rate (currently 45% plus 2% Medicare levy) from unfranked dividends paid to the relevant Australian resident Shareholder. The amount withheld in these circumstances should be available as a credit against the investor's tax liability.

10.5 Goods & Services Tax ("GST")

No GST is applicable to the issue or transfer of the Shares given that, under current law, shares in a company are an input-taxed financial supply for GST purposes. However, investors may incur GST on costs that relate to their participation in the proposed offer and should seek their own independent advice in relation to the GST implications.

10.6 Stamp Duty

On the basis that the Company is not a landholder for stamp duty purposes in any Australian jurisdiction, no stamp duty should be payable by investors on acquisition of the Shares.



Section 11
Additional information

11. Additional information

11.1 Company information

The Company was incorporated on 25 May 2020 under the Corporations Act as a proprietary company limited by shares and then converted to a public company limited by shares on 17 December 2020. The Company will be taxed as a public company and its statutory accounts will be made up to 30 June annually.

11.2 Share capital structure

The Company currently has a related party, Isla Pharmaceuticals, Inc. (**Isla US**). If the Company is admitted to the official list of ASX, immediately prior to its listing the security holders of Isla US will exchange their Isla US securities for securities in the Company (the Restructure). As a result, Isla US's previous security holders will become existing security holders of the Company, and the relationship between the Company and Isla US will be as follows upon listing:

Following the completion of the Offer the shareholding structure in the Company will be as follows:

Category*	Number of Shares – at Maximum Subscription	% ownership interest
Existing Shares on issue	50,968,466	62.95%
New Shares offered under this Prospectus	30,000,000	37.05%
Total number of Shares on issue on completion of the Offer	**80,968,466**	**100%**

* At the date of this Prospectus, the Company has 14,444,882 options on issue. For more details, please see below.

11.3 Options

The rights attaching to the Lead Manager options are described in Section 11.11.1 of this Prospectus. The Board and company secretary have also received an aggregate of 4,458,333 options (see sections 4.2 and 4.5(b)).

The remaining 6,316,805 options are on issue to previous optionholders of Isla US, who have exchanged their options issued by Isla US for equivalent options from the Company instead (as described above). These options have exercise prices of either $0.373, $0.213 or $0.200, and have exercise periods as follows:

- for options converted from warrants in Isla US, exercisable by 4 April 2023;
- for options converted from employee incentive equity issued to Isla US officers and employees, exercisable by 1 December 2023; and
- for options held by Joe Green (a director of Isla US), exercisable by 1 January 2025.

The exercise prices for several options on issue had to be adjusted in order to comply with minimum price requirements under the ASX Listing Rules. Accordingly, the relevant option holders were paid the value of the difference in cash.

11.4 Convertible Notes

The Company has issued Convertible Notes to certain investors. Pursuant to the terms of the Convertible Notes, the Noteholders shall be entitled to receive shares of the Company at the same time as the Company's IPO (in the same class as issued under the IPO).

A total of 968,466 shares will be issued under the Convertible Notes pursuant to the conversion of an aggregate of US$150,000 worth of convertible notes on issue to the relevant investors, each converting at a conversion price equal to a 20% discount of the IPO issue price.

11.5 Major Shareholders

Details of Shareholders who hold 5% or more of the Shares on issue as at the date of this Prospectus, and who will hold more than 5% after completion of the Offer, are set out below.

Shareholder	Shares held at date of Prospectus	% of total Shares at date of Prospectus	Shares held after completion of Offer	% of total Shares after completion of Offer
David C. Foster	5,146,829	10.10%	5,146,829	6.36%
William J. Garner	21,090,605	42.38%	21,090,615	26.05%
KESA Partners	10,837,367	21.26%	10,837,367	13.38%
Manchester Explorer, L.P.	3,774,139	7.40%	3,774,139	4.66%

11.6 Company's Constitution

The Shares offered under this Prospectus are fully paid ordinary shares in the capital of the Company. A summary of the more significant rights attaching to the Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company members.

- **Ranking —** The Shares will be ordinary shares and will rank equally in all respects with the ordinary shares in the Company on issue prior to the date of this Prospectus.
- **Reports and notices —** Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Corporations Act.

11. Additional information

- **General meetings —** Members are entitled to receive at least 28 days' notice of a general meeting and subject to any preferential or special rights attaching to any shares that may be issued by the Company in the future, members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of the Company.
- **Voting —** At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held.
- **Reduction of capital —** Subject to the Corporations Act and Listing Rules, the Company may resolve to reduce its share capital by any lawful manner as the Directors or shareholders may approve.
- **Winding up —** Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.
- **Transfer of Shares —** Shares in the Company may be transferred in any form authorised by the Corporations Act or approved by the Directors and in the manner prescribed by the Constitution of the Company, the Corporations Act, the Listing Rules or the ASX Settlement and Operating Rules. The Directors may subject to the Listing Rules and the ASX Settlement and Operating Rules, request an ASX approved clearing and settlement facility to apply a holding lock to prevent any transfer of shares. The Directors may refuse to register a paper based transfer of a share in particular circumstances.
- **Issue of further Shares —** The Directors control the allotment, issue, grant of options in respect of and disposal of shares. Subject to restrictions on the allotment of shares and grant of options to Directors or their associates and the Corporations Act, the Directors may allot, grant options or otherwise dispose of shares on such terms and conditions as they see fit.
- **Takeover approval provisions —** Any proportional takeover scheme must be approved by those members holding shares included in the class of shares in respect of which the offer to acquire those shares was first made. The registration of the transfer of any shares following the acceptance of an offer made under a scheme is prohibited until that scheme is approved by the relevant members.
- **Application of Listing Rules —** On admission to the Official List of the ASX then, despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require a Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

11.7 CHESS

The Company will apply to be admitted to participate in CHESS, in accordance with the ASX Listing Rules and the ASX Settlement and Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of Shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold the Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide Shareholders with a holding statement that confirms the number of Shares (as the case may be) held.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares changes.

11.8 Restricted securities and escrow arrangements

ASX may, as a condition of granting the Company's application for Official Quotation of its Shares, classify certain of its Existing Shares as restricted securities. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine. The terms of any such restriction or escrow arrangements will be determined by the ASX in accordance with the ASX Listing Rules. The Company has also applied for "look-through relief", as detailed in Section 11.14.

The Company has also obtained the agreement of several shareholders who would not otherwise be subject to escrow to enter into voluntary escrow agreements for a period of 6 months following admission of the Company to the Official List of ASX. These voluntarily escrowed shares comprise 8.97% of the Shares on issue.

Details of any such restriction or escrow arrangements will be disclosed prior to commencement of Official Quotation of the Company's Shares.

11.9 Index to material contracts

The following contracts are considered by the Directors to be material for the purposes of this Prospectus or may be relevant to a potential investor and have been divided into the following categories:

Section 11.10 — material contracts relating to the Company's clinical trials and NDA.

Section 11.11 — material contracts relating to other operational agreements with the Company.

11.10 Material Contracts – the Company's clinical trials and NDA

(a) **IP novation agreement**

Isla US has entered into a Novation Agreement with 60P Australia Pty Ltd (**60P**) and Monash University in which Isla US has obtained an exclusive license to an intellectual property portfolio owned by Monash University directed to the use of Isla101 for Flavivirus indications. In consideration for the use of the license, the Company must pay:

- to 60P, 58,389 options to acquire shares in the Company, US$2,000,000 in cash upon achieving US$200,000,000 cumulative net sales, 2% royalties on the net sales in any country with an issued pending patent and 0.5% royalties on the net sales in any other country. If Isla101 is acquired by a third party, 60P must also be given 1% of the proceeds under the relevant sale; and
- to Monash University, $550,000 upon achieving certain milestones, 2% royalties on its net sales and 10% of the revenue from any sub-licensing of the intellectual property portfolio.

The Company has a unilateral right to terminate the Novation Agreement without cause with 2 months' notice. Each party also has termination rights in an event of default if the default cannot be remedied within 60 days. Events of default include failing to comply with any obligations under the Novation Agreement or where the Company is subject to investigation by a regulatory authority and such investigation may be harmful to the reputation of Monash University.

11. Additional information

(b) **Clinical supply agreement for Fenretinide Softgels for Phase II Studies**

Isla US has entered into a supply agreement with Catalent Pharma Solutions (**Catalent**) (**Softgel Supply Agreement**).

Under the Softgel Supply Agreement, Catalent has agreed to develop and manufacture Fenretinide 100 mg softgels to support the Phase II clinical trials for Isla101 in relation to the treatment of dengue.

Under this agreement, the estimated costs of development and manufacture of the softgels is US$352,900, more than half of which has already been invested. This quote is subject to annual review to account for inflation and changes to overhead costs. Additional costs may also be incurred in the event of unforeseen complications or deviations, including if troubleshooting or other additional work is required.

Catalent has a right of termination if Isla US materially breaches the Softgel Supply Agreement and fails to remedy that breach within 30 days.

Each party retains the rights to any intellectual property owned by them prior to entering into the Softgel Supply Agreement. Catalent will also retain the rights to any intellectual property relating to developing, formulating, manufacturing and other procedural aspects of the Softgel Supply Agreement. Any new intellectual property rights arising under the Softgel Supply Agreement that relate to API (application programming interface) will be jointly owned by both parties.

(c) **Camargo service agreement**

Isla US has entered into an agreement with Camargo Pharmaceutical Services, LLC (**Camargo**), under which Camargo will support Isla101's IND by assisting with the strategies and programs and gap analysis.

The estimated costs for the provisions of services under this agreement is US$298,000, more than half of which has already been invested. Camargo is also entitled to any pass-through expenses incurred in the performance of this agreement, including travel, food and printing costs.

The estimated costs may be revised if Isla US requests any changes to the scope of agreed work.

Camargo has a right of termination if Isla US materially breaches this agreement and fails to remedy that breach within 60 days.

Each party retains the rights to any intellectual property owned by them prior to entering into this agreement (**Background IP**). Each party also retains any additional intellectual property rights arising from a derivative or improvement of their respective Background IP.

(d) **National Cancer Institute**

Isla US has entered into an agreement with the National Cancer Institute (**NCI**) in the U.S. for access to NCI's previously approved IND. This agreement allows Island to leverage the previously approved FDA data and strategy in order to support and de-risk Island's own Phase II IND.

To facilitate the agreement with the NCI, Isla US has engaged Technical Resources International, Inc. to access copies of the IND submissions to the FDA.

(e) **US Army Cooperative Research and Development Agreement**

Isla US intends to conduct a Clinical Trial using a U.S. Army Medical Materiel Development Activity developed virus in Isla US's Phase 2 clinical trial. In addition, Isla US has entered into a Cooperative Research and Development Agreement with the U.S. Army Medical Materiel Development Activity, a subordinate laboratory of the U.S. Army Medical Research and Materiel Command, under which Isla US is permitted to:

- Access the U.S. Army Medical Materiel Development Activity's control data from a number of subjects, reducing the number of subjects needed in Isla US's clinical protocol; and,
- Access data contained within the U.S. Army Medical Materiel Development Activity's Investigational New Drug filing with the U.S. Food and Drug Administration."

11.11 Operational agreements

11.11.1 Lead Manager's Mandate

The Company has engaged PAC Partners Securities Pty Ltd (**PAC Partners**) as the lead manager for the Offer. PAC Partners' key obligations under its lead manager's mandate include the following:

- PAC Partners will act as the sole lead manager and bookrunner to the Offer;
- PAC Partners will provide advice on and coordinate the marketing of the Company and the Offer to potential investors;
- PAC Partners will assist with the drafting of key Offer documents, including the prospectus; and
- PAC Partners will provide other assistance in relation to the Offer as agreed from time to time.

For its services under the lead manager's mandate, PAC Partners is entitled to the following fees:

- $10,000 (plus GST) retainer per month for 6 months following their engagement;
- a fee of 6% (plus GST if applicable) of the total capital raised under the Offer; and
- 3,669,744 options, equivalent to 4% of the Company's post-Offer fully-diluted Shares outstanding, exercisable at a 25% premium to the Offer Price on or before a date three years from the date of issue.

11.11.2 Dr David Foster - Managing Director appointment terms

Dr David Foster is appointed as the Managing Director of the Company. Dr Foster's remuneration details are set out in section 4.5(b) of this Prospectus. He is also a participant in the Company's Equity Incentive Plan (see section 4.7), as well as a party to a Directors' deeds of indemnity, insurance and access (see section 11.11.6).

Dr Foster was appointed on 18 January 2021, and his term is indefinite unless terminated by either himself or the Company. Either party may terminate Dr Foster's appointment by 12 weeks' notice. The Company may also terminate his employment immediately for any serious misconduct or other similar reasons. All right, title and interest in any intellectual property developed by Dr Foster during the course of his employment is assigned to, and becomes exclusive property of, the Company.

11.11.3 Dr Paul MacLeman - Executive Chairman appointment terms

Dr Paul MacLeman is appointed as the Executive Chairman of the Company. He has also been appointed to both the Remuneration and Nomination Committee and the Audit and Risk Committee.

Dr MacLeman's remuneration details are set out in section 4.5(b) of this Prospectus. He is also a participant in the Company's Equity Incentive Plan (see section 4.7), as well as a party to a Directors' deeds of indemnity, insurance and access (see section 11.11.6).

Dr MacLeman was appointed on 25 May 2020, and his term is indefinite unless terminated by either himself or the Company. Either party may terminate Dr MacLeman's appointment by 12 weeks' notice. The Company may also terminate his employment immediately for any serious misconduct or other similar reasons. All right, title and interest in any intellectual property developed by Dr MacLeman during the course of his employment is assigned to, and becomes exclusive property of, the Company.

11.11.4 Albert Hansen, Dr Anna Lavelle and Dr David Brookes - Board appointments

Albert Hansen, Dr Anna Lavelle and Dr David Brookes have been appointed as non-executive directors. The directors' remuneration details are set out in section 4.5(b) of this Prospectus. Each director is also a participant in the Company's Equity Incentive Plan (see section 4.7), as well as a party to a Directors' deeds of indemnity, insurance and access (see section 11.11.6).

Dr Lavelle and Mr Hansen have been appointed to the Remuneration and Nomination Committee while Dr Lavelle and Dr Brookes have been appointed to the Audit and Risk Committee.

11. Additional information

11.11.5 Agreements: Staff and Consultants

The Company has entered into agreements with staff and consultants. Each of these agreements contains a confidentiality clause. The terms of those agreements with regards to confidentiality are standard in that they impose restrictions on the disclosure of confidential information and restrictions on the use of confidential information, except for the purposes for which it has been disclosed. Some agreements contain exclusions relating to information already in the public domain, or disclosure required by law to the extent required to be so disclosed.

11.11.6 Directors' deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. The key features of this deed may be summarised as follows:

- to the extent permitted by law, the Company:
  - indemnifies each of the Directors against any liability (excluding liability for legal costs) incurred by the Director as an officer or former officer of the Company; and
  - indemnifies the Director against any reasonable legal costs incurred as a result of the Director defending an action for any liability incurred by the Director as an officer or former officer of the Company;
- the Company must, where possible, maintain appropriate insurance cover in favour of the Director during the term of the Director's appointment for at least a period of 7 years after the Director ceases to be an officer of the Company on terms that are reasonably prudent to the Company; and
- the Director, during his or her appointment and for a period of 7 years after the Director ceases to be an officer of the Company, may inspect any books and records of the Company in certain circumstances and for particular purposes.

The Company will ensure that its director and officer insurance policy is finalised by the date of Listing.

11.11.7 External CFO and accounting services – Cameron Jones

The Company has engaged Cameron Jones of Bio101 Financial Advisory Pty Ltd for CFO and accounting. Mr Jones' services are charged at an hourly rate, including any additional costs and disbursements incurred in the course of their work.

Bio101 Financial Advisory Pty Ltd has confidentiality obligations, subject to certain exceptions incuding for its quality control review program, or (to a limited extent) for promotional, training or other similar business purposes. Bio101 Financial Advisory Pty Ltd may make and retain copies of the Company's documents for their records. Bio101 Financial Advisory Pty Ltd also retains copyright in any documents it provides to the Company.

Bio101 Financial Advisory Pty Ltd's engagement can be terminated by either party at any time with 30 days' notice.

11.12 Interests of experts

Except as disclosed in this Prospectus:

- no expert, or firm in which any expert is a partner, has any interest that existed when a copy of the Prospectus was lodged with the ASIC for registration, nor had any such interest within 2 years before lodgement of the Prospectus for registration, in the promotion of the Company or has received or is entitled to receive any sum for services rendered by the expert or the firm in connection with the promotion or formation of the Company, or in any property proposed to be acquired by the Company in connection with the promotion or formation; and
- no amounts have been paid or agreed to be paid to any expert, or any firm in which any expert is a partner, for services rendered in connection with the promotion or formation of the Company.

In accordance with the terms of its engagement, Grant Thornton Corporate Finance Pty Ltd has prepared its Investigating Accountant's Report which forms part of this Prospectus. In aggregate, Grant Thornton Corporate Finance Pty Ltd, as Investigating Accountant for the Company, will be paid $120,000 (excluding GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In aggregate, Grant Thornton Australia Ltd, as tax adviser for the Company, will be paid $52,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In aggregate, Grant Thornton Audit Pty Ltd, as auditor of the Company, will be paid $5000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of its engagement, K&L Gates as Australian Legal Advisers for the Company will be paid $165,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of their engagement, Allens Patent & Trade Mark Attorneys will be paid US$1,900 (plus GST) for the provision of the Intellectual Property Report (which forms part of this Prospectus) and may receive further payments in accordance with their normal time based charges.

11.13 Consents of experts

11.13.1 Grant Thornton Corporate Finance Pty Ltd – Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd has given and not withdrawn its written consent to being named as Investigating Accountant for the Company in the Prospectus in the form and context in which it is named and the issue of the Prospectus with its Investigating Accountant's Report dated 25 February 2021 in the form and context in which it is included and to all references to that report in the Prospectus in the form and context in which those references are included.

Grant Thornton Corporate Finance Pty Ltd has only participated in the preparation of the Prospectus to the extent of preparing its Investigating Accountant's Report. Grant Thornton Corporate Finance Pty Ltd was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Except as provided above Grant Thornton Corporate Finance Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

11. Additional information

11.13.2 Grant Thornton Australia Ltd – Tax advisor
Grant Thornton Australia Ltd has given and not withdrawn its written consent to being named as Tax Advisor for the Company in the Prospectus in the form and context in which it is named.

Grant Thornton Australia Ltd was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Except as provided above Grant Thornton Australia Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

11.13.3 Grant Thornton Audit Pty Ltd – Auditor of Island Pharmaceuticals Limited
Grant Thornton Audit Pty Ltd has given and not withdrawn its written consent to being named as Auditor for the Company in the Prospectus in the form and context in which it is named.

Grant Thornton Audit Pty Ltd was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Grant Thornton Audit Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

11.13.4 Horne LLP – Auditor of Isla Pharmaceuticals Inc.
Horne LLP has given and not withdrawn its written consent to being named as Auditor for Isla Pharmaceuticals Inc. in the Prospectus in the form and context in which it is named.

Horne LLP was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Horne LLP does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

11.13.5 K&L Gates – Legal Adviser
K&L Gates has given and not withdrawn its written consent to be named in this Prospectus as Australian Legal Advisers to the Company in the form and context in which it is so named. K&L Gates does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

11.13.6 Allens Patent & Trade Mark Attorneys – Intellectual Property Report
Allens Patent & Trade Mark Attorneys has given and not withdrawn its written consent to be named in this Prospectus as the provider of the Intellectual Property Report to the Company in the form and context in which it is so named. Other than the expert report contained in section 8, Allens Patent & Trade Mark Attorneys does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

11.13.7 Automic Pty Ltd – Share Registry
Automic Pty Ltd has given and not withdrawn its written consent to be named in this Prospectus as the Share Registry to the Company in the form and context in which it is so named. Automic Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

11.13.8 PAC Partners Securities Pty Ltd – Lead Manager

PAC Partners Securities Pty Ltd has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the offer of securities under this Prospectus, in the form and context in which it is named.

PAC Partners Securities Pty Ltd was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. PAC Partners Securities Pty Ltd makes no express or implied representation or warranty in relation to the Company, this Prospectus or the offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by PAC Partners Securities Pty Ltd. To the maximum extent permitted by law, PAC Partners Securities Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

11.14 ASX / ASIC

The Company has applied for but not yet received an in-principle waiver from ASX Listing Rule 9.1 in relation to seed capitalists who paid cash for fully paid ordinary securities in Isla US (US Seed Capitalists). This waiver permits the US Seed Capitalists to be treated (for the purposes of restricted securities) as seed capitalists in the Company rather than as vendors of classified assets (also known as “look-through relief”). Pursuant to the look-through relief, the US Seed Capitalists will be able to rely on the cash formula relief in relation to the restriction of their Existing Shares.

The Company is also relying on ASIC Class Order CO 13/520 to facilitate the voluntary escrow of shares held by certain shareholders of the Company.

11.15 Costs of the Offer

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisers, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately $1.1 million (of which approximately $0.65 million of costs have already been incurred as at the date of this Prospectus).

If the Offer proceeds, the Lead Manager will be paid aggregate fees equal to 6% of the proceeds received by the Company from the Shares issued under the Offer (plus any applicable GST) (included in the above). The Lead Manager will also be issued with 3,669,744 options, equivalent to 4% of the Company’s post-Offer fully-diluted Shares outstanding, exercisable at a 25% premium to the Offer Price on or before a date three years from the date of issue.

11.16 Legal proceedings

There is no litigation of a material nature or threatened which may significantly affect the Company or its activities.

11.17 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

11. Additional information

11.18 Directors responsibility statement

The Directors of the Company state that for the purposes of section 731 of the Corporations Act, they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716(2) of the Corporations Act and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director consents to the lodgement of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

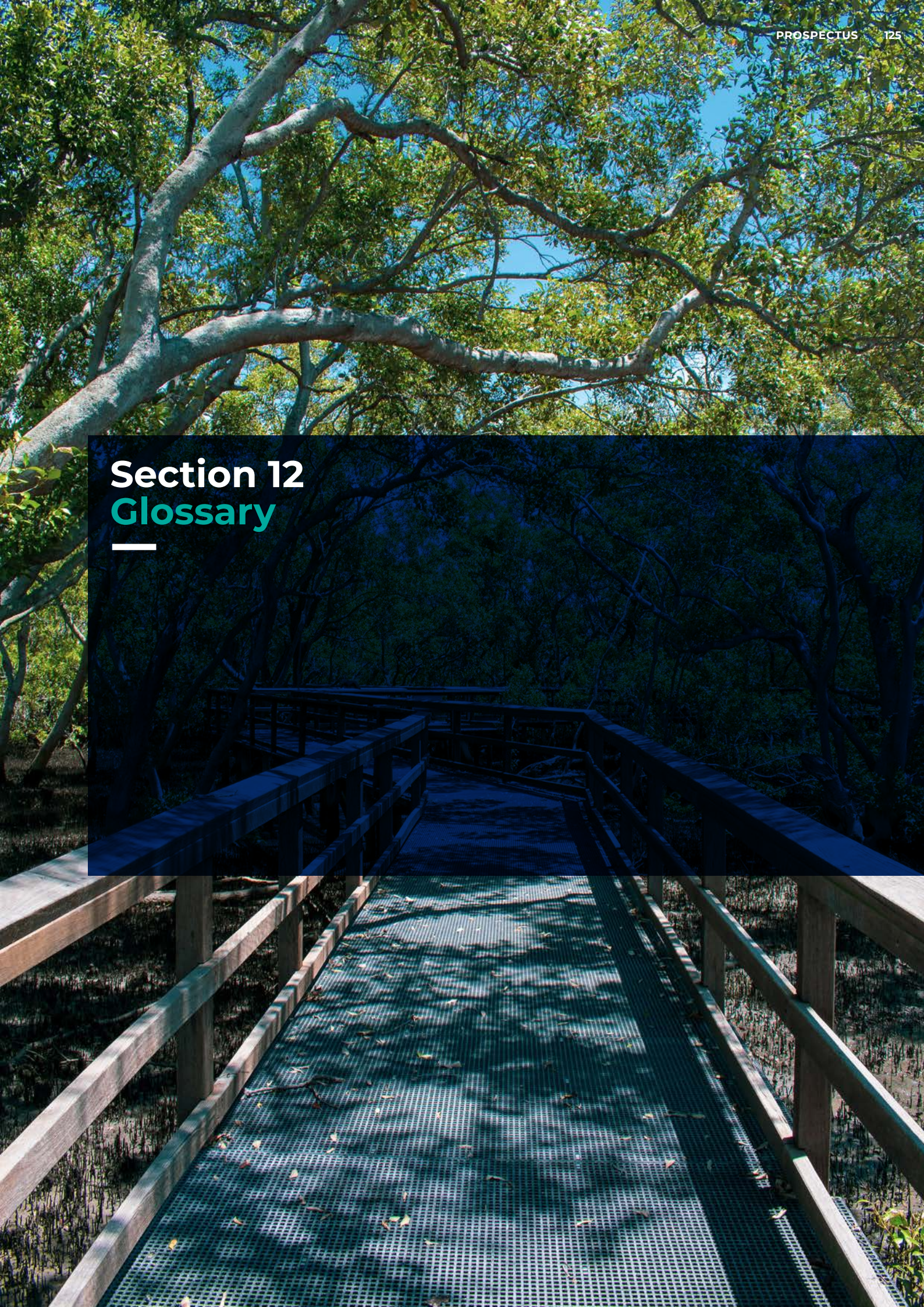
- certain matters may be reasonably expected to be known to professional advisers of the kind with whom Applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisers by virtue of any legislation or laws of any State or Territory of Australia or the Commonwealth of Australia.

11.19 Authorisation

This Prospectus is issued by the authority of the Board of the Company.

Dated: 26 February 2021

Dr. Paul D. R. MacLeman
Executive Chairman
Island Pharmaceuticals Limited



Section 12
Glossary

12. Glossary

Unless the context requires otherwise:

a. terms defined in the independent experts' reports included in this Prospectus have the same meaning when used throughout this Prospectus; and

b. each term below has the meaning set out below, unless this is inconsistent with the context in which the expression is used.

$ or A$ means Australian dollars.

AEST means Australian Eastern Standard Time.

AEDT means Australian Eastern Daylight Time.

Applicant means a person who makes an application for Shares.

Application means an application for Shares under this Prospectus made by an Applicant under an Application Form.

Application Form means the form accompanying or attached to this Prospectus by which an Applicant may apply for Shares under the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ACN 008 624 691 or the Australian Securities Exchange as the context requires.

ASX Listing Rules means the official listing rules of the ASX.

ASX Settlement and Operating Rules means the rules established under the Corporations Act for settlement of transactions of securities of a company for which Clearing House Electronic Sub-Register System (CHESS) approval has been given.

Board means the board of Directors of the Company.

Broker Firm Offer means the offer of Shares under this Prospectus to Australian resident clients of Brokers who have received a firm allocation from their Broker.

Business Day means a day that is not a Saturday or Sunday or a public holiday in Victoria.

CHESS means the clearing house electronic sub-register system.

Closing Date means the date on which the Offer closes, which is set out in the "Key Offer Information" section and may be varied by the Company.

Company means Island Pharmaceuticals Limited ACN 641 183 842.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Director means a director of the Company from time to time.

Existing Shares means the issued Shares immediately prior to the allotment of Shares under the Offer.

Expenditure Program means the anticipated expenditures to be incurred by the Company and funded by the capital raising under this Prospectus as detailed in Section 9.2.5.

Exposure Period means the period of 7 days (or 14 days if extended by ASIC) after the lodgement of the Prospectus with the ASIC during which the Company may not accept Applications.

FDA means the United States Food and Drug Administration.

IP means intellectual property, or intellectual property rights, as the context requires.

IND means Investigational New Drug, which is the means by which a pharmaceutical company obtains permission from the FDA to start human clinical trials and to ship an experimental drug across state lines before a marketing application for the drug has been approved.

Isla101 is Island's lead drug candidate which is currently progressing towards a Phase 2 clinical trial in dengue infected subjects, but also has the potential to prevent or treat Zika, chikungunya and other viruses in tropical climates.

Isla US means Isla Pharmaceuticals Inc., a company incorporated in the United States and a wholly owned subsidiary of Island.

Lead Manager means PAC Partners Securities Pty Ltd ACN 623 653 912.

Listing or **Listed** means the admission of the Shares to quotation on the ASX in accordance with ASX Listing Rules.

NDA means new drug application filed with the FDA under section 505 of US Federal Food, Drug and Cosmetic Act.

Offer means the offer of 30,000,000 ordinary Shares under this Prospectus.

Offer Price means $0.25 per Share.

Official List means the official list of the ASX.

Official Quotation means official quotation of the Shares on the Official List.

Opening Date means the date the Offer opens, which is set out in the "Key Offer Information" section and may be varied by the Company.

Priority Review Voucher or **PRV** means a voucher, under Title XI of the Food and Drug Administration Amendments Act of 2007, for priority review awarded to a drug developer as an incentive to develop treatments for diseases that might otherwise not be profitable to develop, such as certain tropical diseases.

Prospectus means this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.

Share means a share in the issued capital of the Company.

Shareholder means a person who holds Shares.

Share Registry means Automic Pty Ltd.

Subscription means the amount to be raised under this Prospectus, being $7.5 million.

Appendices

Appendix A: Significant accounting policies

The following is a summary of the significant accounting policies used in the preparation of the Historical Financial Information set out in this Prospectus.

Historical cost convention

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

Use of Accounting Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. We believe that judgement is involved in determining the valuation of certain accruals. We evaluate our estimates and assumptions as facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the financial statements.

Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and non-current classification

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

Appendices

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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

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

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

Research and Development
The Company expenses research and development costs as incurred. Research and development costs include rent related to the laboratory space, lab supplies, consulting services and the costs associated with the filing and maintenance of the patent portfolio.

Income Taxes
Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled.

Stock-Based Compensation
Stock-based compensation is measured at the grant date based on the estimated fair value of the award and is recognized as an expense over the requisite service period. The valuation of employee stock options is an inherently subjective process, since market values are generally not available for long-term, non-transferable employee stock options.

Stock-based compensation for stock and stock-based awards issued to non-employees in which services are performed in exchange for the Company's common stock or other equity instruments is accounted for at fair value, and is recorded on the basis of the fair value of the service received or the fair value of the equity instruments issued, whichever is more readily measurable at the date of issuance.

License Rights
On May 30, 2017, Isla acquired an exclusive worldwide license (excluding Israel, Russia and Canada) from 60P Australia Pty. Ltd ("60P"), for intellectual property covering the use of our lead compound Isla101, for the treatment of dengue and other viruses.

Island will be required to make payments to 60P upon the achievement of certain development and marketing milestones and will also be required to pay royalties upon the sales of the product. No liability for the milestone payments has been recorded and Island will continue to be review the milestones and will accrue for them when the probability of achievement rises to the appropriate level. In November 2020, this license was updated in a Novation Agreement between Monash University and Isla US in which Isla US became the direct licensee and assumed all rights and obligations of the license.

Appendices

Appendix B: Audited and reviewed historical statement of operations Isla Pharmaceuticals Inc.

US'000	Audited Year ended 31 December 2018	Audited Year ended 31 December 2019	Reviewed Six months ended 30 June 2020	Reviewed Six months ended 30 June 2019
General and administrative expenses	227	192	103	108
Research and development expenses	94	668	51	340
Total costs and expenses	321	860	154	448
Loss from operations	(321)	(860)	(154)	(448)
Net loss	**(321)**	**(860)**	**(154)**	**(448)**

Audited and reviewed historical statement of cash flows of Isla Pharmaceuticals Inc.

US'000s	Audited Year ended 31 December 2018	Audited Year ended 31 December 2019	Reviewed Six months ended 30 June 2020	Reviewed Six months ended 30 June 2019
Operating cash flow				
Net loss	(321)	(860)	(153)	(448)
Share based compensation	30	34	25	17
Movement in working capital	8	129	(31)	41
Net operating cash flows	**(283)**	**(697)**	**(159)**	**(390)**
Financing activities				
Proceeds from issuance of Series A preferred stock (net of offering costs)	1,114	–	–	–
Proceeds from issuance of Series C preferred stock (net of offering costs)	–	–	559	–
Net financing cash flows	**1,114**	**–**	**559**	
Net change in cash and cash equivalents held	831	(697)	399	(390)
Cash and cash equivalents at the beginning of the financial year	27	858	161	858
Cash and cash equivalents at the end of the financial year	**858**	**161**	**560**	**468**

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Application Form

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BROKER FIRM OFFER APPLICATION FORM

ISLAND PHARMACEUTICALS
Antiviral therapeutics

Island Pharmaceuticals Limited | ACN 641 183 842

Broker Code	Adviser Code

Applicants who received this Offer from their broker must return their Application Form and Application Monies back to their broker

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.
You should read the Island Pharmaceuticals Limited Prospectus dated 26 February 2021 and any relevant supplementary Prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

Standard Application and Pay by Cheque

Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on page 2 of the form.

1. Number of Shares applied for

, ,

Application payment (multiply box 1 by $0.25 per Share)

A$, , .

Applications must be for at least 8,000 Shares at an aggregate subscription price of $2,000 or a greater number in multiples of 4,000 Shares at an aggregate subscription price of $1,000.

2. Applicant name(s) and postal address (Refer to Naming Standards overleaf)

Post Code:

3. Contact details

Telephone Number

( )

Contact Name (PLEASE PRINT)

Email Address

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

4. CHESS Holders Only – Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister

5. TFN/ABN/Exemption Code

Applicant #1

Applicant #2

Applicant #3

If NOT an individual TFN/ABN, please note the type in the box
C = Company; P = Partnership; T = Trust; S = Super Fund

6. Cheque Payment details

Cheque or Bank Draft Number

BSB -

Account Number

Total Amount A$, , .

AUTOMIC GROUP

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic Group advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the Shares you hold) to be included in the public register of the entity in which you hold Shares. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for fully paid ordinary Shares in Island Pharmaceuticals Limited (ACN 641 183 842) (the "Company") made under the terms set out in the Prospectus dated 26 February 2021. Capitalised terms not otherwise defined in this document has the meaning given to them in the Prospectus.

1. **Shares Applied For & Payment Amount** - Enter the number of Shares you wish to apply for. Your Application must be a minimum of A$2,000.00 of Shares. Next, enter the amount of the Application Monies payable. To calculate this amount, multiply the number of Shares applied for by the Offer Price, which is A$0.25 per Share.
2. **Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
3. **Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEST) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at https://investor.automic.com.au//home
4. **CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
5. **TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
6. **Payment** - Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section 1.

   If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with your instructions.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of ages;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Broker Firm Offer opens at 8 March 2021 and is expected to close at 5:00pm Sydney time on 29 March 2021. Island Pharmaceuticals Limited and the Joint Lead Managers may elect to extend the Broker Firm Offer.

If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. Do NOT lodge this Application form with the Share Registry.

Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Firm Offer.

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, Victoria 3124

Lead Manager

PAC Partners Securities Pty Ltd
ACN 623 653 912

Auditors

Island Pharmaceuticals Limited
Grant Thornton Audit Pty Ltd ACN 130 913 594
Collins Square, Tower 5/ 727 Collins Street, Melbourne
VIC 3000

Isla Pharmaceuticals Inc.
Horne LLP
661 Sunnybrook Road, Suite 100
Ridgeland, Mississippi 39157
United States

Australian Legal Adviser

K&L Gates
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