

1. Company details

Name of entity:	Cleo Diagnostics Limited
ABN:	13 655 717 169
Reporting period:	For the year ended 30 June 2024
Previous period:	For the period ended 30 June 2023

2. Results for announcement to the market

			2024
			\$
Other income from ordinary activities	up	445% to	490,067
Loss from ordinary activities after tax attributable to the owners of Cleo Diagnostics Limited	up	117% to	3,759,234
Loss for the year attributable to the owners of Cleo Diagnostics Limited	up	117% to	3,759,234

Dividends

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

Comments

The company made a loss after providing for income tax of \$3,759,234 (30 June 2023: \$1,729,500).

During the year the company was admitted to the Official List of the ASX, its Initial Public Offering (“IPO”) raising \$12,000,000 before costs with the issue of 60,000,000 ordinary shares. In addition, 16,000,000 shares were issued on conversion of the convertible notes outstanding at 30 June 2023. A further 7,500,000 ordinary shares were issued to Hudson pursuant to the licence agreement, providing a total of 128,500,001 ordinary shares on the market. The cost of the 7,500,000 Hudson shares, \$1,500,000 was expensed upon satisfaction of the contractual obligation to issue the shares.

As a result the company and net assets of \$9,392,032 and net current assets (current assets less current liabilities) of \$8,951,753 including cash and cash equivalents of \$9,372,763.

3. Net tangible assets

	Reporting period	Previous period
	Cents	\$
Net tangible assets / (liabilities) per ordinary security	<u>6.99</u>	<u>(3.12)</u>

4. Control gained over entities

Not applicable

5. Loss of control over entities

Not applicable

6. Details of associates and joint venture entities

Not applicable

7. Audit qualification or review

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

The audit of the financial statements has been completed, and an unmodified opinion issued.

8. Attachments

Details of attachments (if any):

The Annual Report of Cleo Diagnostics Limited for the year ended 30 June 2024 is attached.

9. Signed



Signed

Date: 27 August 2024

Adrien Wing
Chairman
Melbourne

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CLEO
DIAGNOSTICS

Annual Report

30 June 2024

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Cleo Diagnostics Limited

ABN 13 655 717 169

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Dear Shareholders,

Ovarian cancer is the deadliest of all cancers affecting women, with a 5-year survival of only 49%¹. There is currently no sufficiently accurate test to diagnose ovarian cancer, with the only clinical tools such as ultrasound and serum CA-125 measurements. Unfortunately, a conclusive diagnosis can only be made after surgery has been performed and the suspicious mass has been removed - often along with the ovaries and other important, healthy tissues.

Ovarian cancer is usually picked up at late stage, contributing to the high mortality rate. Too many women are undergoing unnecessary surgery and the survival rate has not materially changed over time. As we have seen with other cancers where accurate diagnostics are used in national screening programs, early detection of disease significantly improves overall survival. This is evident when comparing the survival rate for ovarian cancer (49%) to that of breast cancer (92%), cervical cancer (74%) or bowel cancer (70%).

Our mission is to change this. Cleo Diagnostics Limited (**CLEO or the Company**) has developed a simple blood test for accurate and early detection of ovarian cancer, which is backed by over 15 years of research and development. We are focused now on commercialising the test to positively change the health outcome for women around the world.

Since listing the Company successfully on the ASX last year, Cleo has delivered on its plan and is on track effectively mid-way through its timeframe to make the test available in the initial targeted market of pre-surgical triage in the U.S. next year. Key milestones achieved this year, include:

- Confirmed the biomarker panel and transferred lab design into a commercial setting to underpin the consistent and reliable manufacture of our test-kits;
- In final stages of selecting a manufacturing partner;
- Demonstrated early-stage detection, accuracy and clinical value of the Cleo ovarian cancer diagnostic blood test in peer-reviewed medical publications, that showed the test is:
 - Highly accurate with sensitivity and specificity of 95% when used to distinguish between benign versus malignant samples;
 - Able to correctly identify cancers that are missed by current standard clinical tools;
 - Significantly outperforming all current clinical workflows including CA125 and ultrasound;
 - Correctly detecting early-stage cancers – 90% compared to 50% using standard workflows.
- Commenced the Food and Drug Administration (FDA) regulatory process to obtain approval in the largest diagnostic market in the world;
- Established key partnerships with specialist companies in the U.S. to support industry engagement, clinical trials, and ultimately reimbursement; and
- Commenced U.S. market entry programs to ensure the Company is ready to deliver test-kits and sales quickly upon regulatory approval.

As we move through Financial Year 2025, Cleo is exactly where it needs to be. We have a well-defined strategy to enter our first market next year, the Company is on track executing against plans and milestones, the market is beginning to understand our value - both in health outcomes and as an investment prospect, and importantly Cleo is funded to first sales.

Lastly, let me take this opportunity to acknowledge the strong support from all stakeholders, in particular Cleo shareholders that now form part of a journey to positively transform health outcomes for women globally. Our success will be meaningful and measured in the way that we reshape the future of ovarian cancer diagnosis through our simple and accurate blood test.


Richard Allman, CEO

¹ AIHW Cancer Data in Australia 2022 web report and supplementary data tables

The key dependencies of the Cleo Diagnostics Limited's (**CLEO** or **the Company**) business model include (amongst others):

- (a) maintenance of the Hudson Licence Agreement and to maintain, protect and develop the Technology licensed under the Hudson Licence Agreement;
- (b) generating sufficient market awareness and translating that into industry adoption;
- (c) further product development to increase the functionality and performance of the Technology to meet market requirements;
- (d) the ability to continually protect and advance the Company's existing knowledge and intellectual property rights and trade secrets;
- (e) sufficient funding to ensure the Company is able to complete development and fund future growth; and
- (f) attracting and retaining key staff and personnel.

Key risks – additional capital requirements

The Company currently has no operating revenue and is unlikely to generate any operating revenue unless and until the Triage Test is successfully developed and commercialised. The future capital requirements of the Company will depend on many factors including its business development activities. The Company has budgeted to fund its activities and objectives for the two-year period following Admission. Subsequent to that period of time the Company may seek further capital as required.

Key risks – Intellectual property

The Company's success, in part, depends on its ability to obtain patents, maintain trade secret protection, and operate without infringing the intellectual proprietary rights of third parties. If patents are not granted, or granted only for limited claims, the Company's intellectual property may not be adequately protected and may be able to be copied, reproduced or otherwise circumvented by third parties. The Company's existing intellectual property includes the Company's licencing rights under the Hudson Licence Agreement. The Company has, under the Hudson Licence Agreement, acquired (amongst other things) the rights to various patent applications pending in a number of countries based on international (PCT) application no PCT/AU2020/051403.

The Company has engaged FB Rice to develop and implement an intellectual property strategy to seek to establish patent protection in its proposed key markets as a means of enabling the Company to guard its exclusivity, maintain an advantage over competitors and provide it with a basis for enforcement in the event of infringement (or potential infringement) of the Company's intellectual property rights by third parties.

Key risks – the uncertainty of research

The development and commercialisation of medical diagnostic products is subject to an inherent and high risk of failure. The key steps in the Company's development strategy for the Triage Test include:

- (a) **(antibody development)**: the successful in-house development of protein reagents and monoclonal antibodies for each of the target biomarker proteins which is anticipated to reduce reliance on commercial assays;
- (b) **(test performance evaluation)**: test evaluation to ensure that the product is robust, scalable, meets the performance expectations of patients, clinicians, and testing laboratories, as well as demonstrating safety and efficacy to the relevant regulatory bodies; and
- (c) **(regulatory submissions)**: subject to the foregoing, the initial FDA 510(k) application and subsequent Australian and European regulatory approvals.

Each research step carries an inherent uncertainty in relation to the outcome impacting the next step. Cleo's management has many years of experience in the field of research, and has been engaged in research activities upon the licenced technology and is confident that it has the best team available to ensure its research is thorough and effective, providing the best chance of positive research outcomes.

Key risks – Regulatory Approval

Product commercialisation and development involves lengthy processes that are dependent on the evaluation by external groups such as the FDA (in the US), 'CE marking' (in the European Union) and approval from the TGA (in Australia). The process may require the Company to conduct further clinical studies. Again, the experience of the Company's management and its engagement of FB Rice is intended to mitigate this risk as much as possible.

Key risks – Product risks and liability

As with all new public health products, even if the Company was successful in development of its products and obtains regulatory approvals, there is no assurance unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims in litigation, potentially resulting in any regulatory approval (when/if obtained) being removed and damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage (if any). The efficacy and results of trials relating to future products will rely on the proper implementation of use/testing protocols which may include requirements for clinicians and diagnostic labs to adhere to standard operating procedures for collection and processing of blood samples. While none of the anticipated requirements of the proposed Cleo products are expected to be onerous or unusual, a failure to adhere to these requirements may adversely affect the efficacy and reliability of test results.

The above list of risks, uncertainties and other factors is not exhaustive.

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Cleo Diagnostics Limited (ASX:COV) (**CLEO**, or the **Company**) is bringing to market a simple blood test for the accurate and early diagnosis of ovarian cancer. CLEO's technology is underpinned by its novel and patented CXCL10 biomarker.

During the year ending 30 June 2024, and up to the date of this report, CLEO successfully executed against its strategy to move closer to making accurate and earlier detection of ovarian cancer a reality, including:

Technology Development

- Important commercial foundation established with biomarkers panel for CLEO's ovarian cancer test-kit finalised and antibody development advanced that will underpin the consistent and reliable manufacture of test-kits; and
- In-house performance verification of CXCL antibodies completed, increasing confidence for commercial assay development and upscaling for commercial manufacturing.

Manufacturing

- Evaluation of four commercial antibody manufacturing partners concluded following robust tender process; and
- Design transfer completed establishes CLEO's capability to deliver reproducible and reliable results for its ovarian cancer detection test.

Commercial

- FDA-enabling 500-patient U.S. clinical trials program progressed with:
 - Initial 7 sites selected across Texas, Arizona, Florida, Nevada, California, and New York;
 - First patients being recruited with trials to begin mid-August; and
 - U.S.-based Lindus Health appointed a partner to manage site logistics and patient recruitment.
- Three peer-reviewed studies published critically building a gold standard platform of clinical evidence to support reimbursement and clinical uptake:
 - Study performed in a 334 patient cohort, published in peer-reviewed journal "Cancers" detailing the high performance of CLEO's ovarian cancer diagnostics test:
 - Highly accurate with 95% sensitivity / 95% specificity;
 - Correctly discriminated malignant from benign samples; and
 - Out-performed and was superior to current clinical methods.
 - Study confirming substantial performance advantage over current standard of care testing using CA125, which concluded that CLEO's test:
 - Correctly identified most cancer cases that were missed by the standard marker CA125;
 - Eliminated the majority of "false positive" results caused by CA125 use; and
 - Correctly identified the majority of patients with early-stage ovarian cancers.
 - Benchmarking study published in scientific journal "Cancers" demonstrated that CLEO's ovarian cancer blood test outperforms current clinical benchmark:
 - Significantly outperforms current clinical workflows that use CA125 and ultrasound to predict malignancy;
 - Correctly detected 90% of early-stage cancers compared to only 50% using standard workflows; and
 - Can be easily adopted for use into clinical practice.
- U.S. regulatory process commenced with FDA following initial pre-submission meeting held where CLEO outlined its submission framework and clinical plan;
- Strategic U.S. market access and reimbursement program underway with appointment of New York-based industry partner HcFocus;
- Patent granted in the U.S. for key novel ovarian cancer biomarker supporting CLEO's commercialisation pathway into the world's largest diagnostics market; and
- Physician engagement commenced in Australia.

Financial

- The Company ended the year with \$9.373M cash at bank; and
- Cleo is operating in line with its budgeted plan as outlined in the Company's prospectus, and continues to be appropriately funded to execute on its strategic plan.

Corporate

- The Company successfully completed its listing of shares on the Australian Securities Exchange (ASX) on 22 August 2023, after an Initial Public Offering (IPO) raising a total of A\$12 million (before costs) in capital by issuing 60,000,000 shares at \$0.20 per share;
- Board capacity enhanced with Chief Scientific Officer and Executive Director, Dr Andrew Stephens, expanding responsibilities to full-time.

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The directors present their report, together with the financial statements, on Cleo Diagnostics Limited (referred to hereafter as **Cleo** or **the Company**) at the end of, or during, the year ended 30 June 2024.

Directors

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

A M Wing
R Allman
A N Stephens
T W Jobling
L J Nolan

Principal activities

Cleo's principal activities involve the development and patent of a blood test for the detection of ovarian cancer, with the potential to substantially improve the existing standard of care. During the period the company's focus was on developing the Intellectual Property ("IP"), testing the IP and securing patents in multiple jurisdictions.

Dividends

The company did not pay any dividends during the year (30 June 2023: Nil).

Review of operations

The loss for the company after providing for income tax amounted to \$3,759,234 (30 June 2023: \$1,729,500).

During the year the company completed an Initial Public Offering ("IPO") raising \$12,000,000 before costs. As a result the company and net assets of \$9,392,032 and net current assets (current assets less current liabilities) of \$8,951,753 including cash and cash equivalents of \$9,372,763.

Significant changes in the state of affairs

During the year the company was admitted to the Official List of the ASX, its Initial Public Offering ("IPO") raising \$12,000,000 before costs with the issue of 60,000,000 ordinary shares. In addition, 16,000,000 shares were issued on conversion of the convertible notes outstanding at 30 June 2023. A further 7,500,000 ordinary shares were issued to Hudson pursuant to the licence agreement, providing a total of 128,500,001 ordinary shares on the market. The cost of the 7,500,000 Hudson shares, \$1,500,000 was expensed upon satisfaction of the contractual obligation to issue the shares.

A total of 14,000,000 unlisted options were also issued. These included 7,000,000 KMP options, 1,500,000 consultant options and 5,000,000 options issued to the lead broker on completion of the IPO. 500,000 unlisted share options were issued as part of the employee share option scheme.

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

Matters subsequent to the end of the financial year

On 31 July 2024 the company announced it had selected and contracted the initial sites for US clinical trials in support of its FDA application in the US. This follows the company obtaining Institutional Review Board ("IRB") approval for clinical trials.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

The Directors do not foresee any unusual future event that may significantly negatively impact the Company's operations, results or state of affairs.

Environmental regulation

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

Information on directors

Name: Adrien Wing
Title: Non-Executive Chairman (appointed 11 August 2022)
Qualifications: Bachelor of Business (Accountancy) from Royal Melbourne Institute of Technology (RMIT) and Certified Practising Accountant (CPA)
Experience and expertise: Mr Wing began his professional career practising in the audit and corporate advisory divisions of a chartered accounting firm. Mr Wing has over 25 years' experience in the corporate sector with the large portion of this experience in ASX small caps, lead in IPO transactions and post listing reverse takeovers and acquisitions across a range of industry sectors and jurisdictions. Mr Wing has a strong pedigree in the life sciences industry being the founder of Rhythm Biosciences Ltd and bringing that entity to the ASX in 2017.
Mr Wing currently serves as an officer/director on the following company boards:

- New Age Exploration Ltd (ASX: NAE) - Director and Joint Company Secretary;
- Red Sky Energy Ltd (ASX: ROG) – Director and Joint Company Secretary;
- Sparc Technologies Ltd (ASX: SPN) – Company Secretary; and
- Osmond Resources Ltd (ASX: OSM) – Company Secretary.

Special responsibilities: None
Other Current Directorships: Red Sky Energy Limited (ASX: ROG) New Age Exploration Limited (ASX: NAE)
Other Directorships (last 3 years) Mitre Mining Limited (ASX:MMC) from 21 May 2021 to 8 March 2023 and Sparc Technologies Ltd (ASX: SPN) from 29 September 2023 to 31 March 2024.
Interest in Shares: 14,250,000 fully paid ordinary shares
Interest in Options: None

Name: Richard Allman
Title: Managing Director and Chief Executive Officer (appointed 10 October 2022)
Qualifications: PhD (Microbiology) from The University of Wales
Experience and expertise: Dr. Allman has over 30 years of scientific research leadership and innovation with a clear focus on commercialisation. He has wide experience in research leadership, innovation management, and intellectual property strategy, covering oncology, diagnostics, and product development. Previously Chief Scientific Officer at Genetic Technologies Limited (ASX: GTG). Recent successes include the strategic design and management of a second-generation breast cancer risk assessment test from concept to commercial launch and a similar test for colorectal cancer. These tests have now been NATA accredited and comprise the first commercially available polygenic risk tests in Australia. More recently he has supervised the underlying R&D, translation, regulatory approval, patent filing and commercial launch of a Covid-19 disease severity test within a 12-month period. This strategy has been utilised to expedite a product development pipeline covering 6 major cancers, cardiovascular disease and type-2 diabetes which were commercially launched in March 2023.
Special responsibilities: None
Other current directorships: None
Other Directorships (last 3 years) None
Interest in Shares: 1,500,000 fully paid ordinary shares
Interest in Options: 2,500,000 exercisable at \$0.30 expiring on the 22 August 2026 and which, upon exercise, entitle the holder to one fully paid ordinary share in the Company.

Name: Andrew Stephens
Title: Chief Science Officer and Executive Director (appointed 19 September 2022)
Qualifications: PhD (Molecular Biology) from Monash University Australia
Experience and expertise: Dr Stephens is a career research scientist with 20 years' experience in molecular and cellular biology research. He has broad experience in academic and pre-clinical research, and a strong focus on translation and the commercialisation of research findings. He established and leads an independent academic research company at the Hudson Institute of Medical Research, investigating mechanisms that contribute to the formation, progression and dissemination of high grade, serous epithelial ovarian cancers. Since 2010, his research has focused on biomarker identification and development in ovarian cancer, and the development of therapeutic strategies to improve patient outcomes. He is also actively involved across the biotech sector, with appointments to the scientific advisory for Invion Pty Ltd and AMTBio Pty Ltd. Dr Stephens has over 60 academic publications and numerous patents (pending and provisional) in the cancer therapeutic and diagnostic space.

Special responsibilities: None
Other current directorships: None
Other Directorships (last 3 years): None
Interest in Shares: 500,000 fully paid ordinary shares
Interest in Options: 1,500,000 exercisable at \$0.30 expiring on the 22 August 2026 and which, upon exercise, entitle the holder to one fully paid ordinary share in the Company.

Name: Tom Jobling
Title: Independent Non-Executive Director (appointed 21 December 2022)
Qualifications: Bachelor of Medicine, Bachelor of Surgery, Fellow of the Royal College of Obstetricians and Gynaecologists, Fellow of Royal Australian and New Zealand College of Obstetricians and Gynaecologists, Certificate of Gynaecological Oncology, Doctor of Medicine, Head of Gynaecological Oncology at Monash Health
Experience and expertise: Professor Thomas Jobling is Director of Gynaecologic Oncology at Monash Medical Centre. He graduated from Monash University in 1980 and did his post graduate sub specialist training in Gynaecologic Oncology in London at the Royal Marsden and St Bartholomews hospitals. Professor Jobling has subsequently been elected as a Member of the Society of Pelvic Surgeons and is also Founder of the Ovarian Cancer Research Foundation (1999). He previously held the Chairmen position of Ovarian Cancer Research Foundation Board. His major interests are in radical surgery for ovarian cancer and the application of robotic surgery for gynaecological malignancy. Professor Jobling is an active member of a Research Team in bio marker detection and proteomics in ovarian cancer. He is involved as a collaborative investigator on a number of international clinical trials and is a Member of the Australia and New Zealand Gynaecologic Oncology Company, the Australian Society of Gynaecologic Oncology, the Victorian Cooperative Oncology Company and the International Society of Gynaecological Cancer.

Special responsibilities: Lead Medical Advisor
Other current directorships: None
Other Directorships (last 3 years): None
Interest in shares: 1,250,000 fully paid ordinary shares
Interest in options: 1,500,000 exercisable at \$0.30 expiring on the 22 August 2026 and which, upon exercise, entitle the holder to one fully paid ordinary share in the Company.

Name: Lucinda Nolan
Title: Independent Non-Executive Director (appointed 2 March 2023)
Qualifications: Master of Arts from Melbourne University, Bachelor of Arts with Honours from Melbourne University, Alumni of the Advanced Management Programme at Harvard University

Experience and expertise: Ms Nolan is a Non-Executive Director and was most recently the CEO of the Ovarian Cancer Research Foundation. She has a wealth of knowledge and experience across the public sector and Not-For-Profit environments. Prior to joining the Ovarian Cancer Research Foundation, she was selected as the first female CEO of the Country Fire Authority, one of the world's largest volunteer-based emergency services organisations. She also spent 32 years with Victoria Police, reaching the rank of Deputy Commissioner. Much of her role there was dedicated to reductions in crime

rates and the continual improvement of service delivery in the face of complex and competing crime, disorder, and service demands. She was awarded the Australian Police Medal in 2009.

Ms Nolan is also the Chair of BankVic and a director on the Boards at Alkira Box Hill Inc. and the Melbourne Archdiocese of Catholic Schools (MACS). She has a Master of Arts and a Bachelor of Arts (Honours) from Melbourne University and is an alumni of the Advanced Management Programme at Harvard University.

Special responsibilities:	None
Other current directorships:	None
Other Directorships (last 3 years)	None
Interest in shares:	None
Interest in options:	1,500,000 exercisable at \$0.30 expiring on the 22 August 2026 and which, upon exercise, entitle the holder to one fully paid ordinary share in the Company.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Other directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Pauline Moffatt was appointed Company Secretary on 18 September 2022. She is a Graduate of the Australian Institute of Company Directors (GAICD) and a Fellow FGIA FCG of the Governance Institute of Australia. Ms Moffatt has a wealth of experience, providing specialised accounting and company secretary services to public companies for over 20 years. Ms Moffatt currently serves as Joint Company Secretary of New Age Exploration Ltd (ASX: NAE) and Red Sky Energy Limited (ASX:ROG). Ms Moffatt has served as Company Secretary on various ASX listed companies, including Rhythm Biosciences Limited (ASX:RHY, Joint Company Secretary) and Cue Energy Resources Limited (ASX: CUE, Joint Company Secretary).

Meetings of directors

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

	Full board	
	Held	Attended
A M Wing	9	9
R Allman	9	9
A N Stephens	9	9
T W Jobling	9	8
L J Nolan	9	9

Held: represents the number of meetings held 5 and circular resolutions 4 during the time the director held office. The Board manages the function of the audit committee and remuneration committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- Transparency

The Board is responsible for determining and reviewing remuneration arrangements for directors and executives. The performance of the company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. Accordingly the Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, seek and receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. All non-executive director fees are contracted.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was included in Section 6.6 of the company's prospectus filed with the ASX prior to admission in August 2023, which contained an aggregate of \$500,000 for non-executive director remuneration.

Executive remuneration

The company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the company and provides additional value to the executive.

There were no STI's in place for the year ended 30 June 2024. Short-term incentives ('STI') will be utilised where it is expected that the incentives will align the targets of the business units with the performance hurdles of executives. STI payments will therefore be granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares and share options are awarded to executives based as long-term incentive measures. These incentives align the rewards for executives to increases in shareholders value relative to the entire market and the increase compared to the company's direct competitors. Executives were provided with share options as initial LTI's in their contracts upon commencement during the year ended 30 June 2024.

Company performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the company. No cash bonuses were provided for the year ended 30 June 2024. The Company is currently still in the R&D phase of its development, and as such the Company is reliant on LTIs to incentivise individuals, by linking the incentives to the development and value of the Company. Refer to the section 'Additional information' below for details of the earnings and total shareholders return.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

No remuneration consultants were used during the year.

Voting and comments made at the company's 2023 Annual General Meeting ('AGM')

At the 2023 AGM, 96.54% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the company consisted of the following directors of Cleo Diagnostics Limited:

- A M Wing – Non-Executive Chairman
- R Allman – Managing Director
- A N Stephens – Chief Science Officer and Executive Director
- T W Jobling – Non-Executive Officer
- L J Nolan – Non-Executive Director

The Company Secretary, Pauline Moffatt, was not considered a KMP for the year.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2024	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive</i>								
<i>Directors:</i>								
A M Wing	90,000	-	-	-	-	-	-	90,000
T W Jobling ¹	41,739	-	-	-	-	-	-	41,739
L J Nolan	41,739	-	-	4,591	-	-	-	46,330
<i>Executive</i>								
<i>Directors:</i>								
R Allman	192,514	-	-	19,800	-	-	-	212,314
A N Stephens	173,252	-	-	17,820	-	-	-	191,072
	539,244	-	-	42,211	-	-	-	581,455

¹ T Joblin director fees are accrued and remain unpaid at 30 June 2024.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2023	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
A M Wing ²	80,080	-	-	-	-	-	-	80,080
T W Jobling ¹	-	-	-	-	-	-	130,527	130,527
L J Nolan ¹	-	-	-	-	-	-	130,527	130,527
P Gowans ³	-	-	-	-	-	-	-	-
<i>Executive Directors:</i>								
R Allman ²	132,491	-	-	13,800	-	-	217,954	364,245
A N Stephens ²	85,878	-	-	8,935	-	-	130,548	225,361
	298,449	-	-	22,735	-	-	609,556	930,740

¹ T Jobling and L Nolan were appointed in FY2023 but received no Director fees prior to the company listing in August 2023. They were both granted share options as part of their remuneration package upon appointment.

² All current directors were appointed during the year.

³ P Gowans resigned in August 2022 received no remuneration.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk – LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
A M Wing	100%	100%	-	-	-	-
T W Jobling	100%	-	-	-	-	100%
L J Nolan	100%	-	-	-	-	100%
<i>Executive Directors:</i>						
R Allman	100%	-	-	-	-	60%
A N Stephens	100%	-	-	-	-	58%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: A M Wing
Title: Non-Executive Chairman
Agreement commenced: 11 August 2022
Term of agreement: No fixed term
Details: Monthly fees of \$7,500. Termination by either party via written notice.

Name: R Allman
Title: Managing Director and Chief Executive Officer
Agreement commenced: 30 August 2022
Term of agreement: No fixed term
Details: Base salary of \$180,000 plus superannuation, to be reviewed periodically by the Board. 3-month termination notice by either party, cash bonus of up to \$36,000 as per Board approval and KPI achievement, Long Term Incentives of 2,500,000 share options granted upon commencement, non-solicitation and non-compete clauses. KPIs are determined periodically by the Board. The agreement can be terminated with 3 months' notice.

Name: A N Stephens
Title: Chief Science Officer and Executive Director
Agreement commenced: 13 September 2022
Term of agreement: No fixed term
Details: Base salary of \$180,000 plus superannuation, to be reviewed periodically by the Board. 3-month termination notice by either party, cash bonus of up to \$21,600 as per Board approval and KPI achievement, Long Term Incentives of 1,500,000 share options granted upon commencement, non-solicitation and non-compete clauses. KPIs are determined periodically by the Board. The agreement can be terminated with 3 months' notice. During the current year Mr Stephens' agreement was amended from part-time (3 days a week) to full time, and salary increased accordingly.

Name: T W Jobling
Title: Non-Executive Director
Agreement commenced: 2 February 2023 (as per resolution dated 21 December 2022)
Term of agreement: No fixed term
Details: Director's fees of \$4,000 per month, non-solicitation and non-compete clauses.

Name: L J Nolan
Title: Non-Executive Director
Agreement commenced: 2 March 2023
Term of agreement: No fixed term
Details: Director's fees of \$4,000 per month, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

No shares were issued to Key Management Personnel as remuneration during the year.

Options

No share options were issued to Key Management Personnel as remuneration during the year.

Options granted carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity are summarised below:

Lost after income tax for the year ended 30 June 2024 was \$3,759,234 (2023: \$1,729,500).

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

- Share price at the end of the financial year was \$0.34 having listed at \$0.20 in August 2023.
- Basic loss of 3.20 cents per share for the year ended 30 June 2024 (2023: 6.59 cents per share)

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
A M Wing	14,250,000	-	-	-	14,250,000
R Allman	1,500,000	-	-	-	1,500,000
A N Stephens	500,000	-	-	-	500,000
T W Jobling	1,250,000	-	-	-	1,250,000
L J Nolan	-	-	-	-	-
	<u>17,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,500,000</u>

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
R Allman	2,500,000	-	-	-	2,500,000
A N Stephens	1,500,000	-	-	-	1,500,000
T W Jobling	1,500,000	-	-	-	1,500,000
L J Nolan	1,500,000	-	-	-	1,500,000
	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000,000</u>

All options have fully vested as at 30 June 2024.

Other transactions with key management personnel and their related parties

The company holds a licence to the exclusive rights to commercialise the CleoDX intellectual property from Hudson Institute of Technology ("Hudson"). Dr Stephens was a founder of the Hudson and continues to be a leading academic researcher within Hudson. The licence fee paid in the prior year was \$500,000, and in the current year a share based payment of \$1,500,000 was made in accordance with the terms of the licence agreement. In addition the company has paid Hudson for research and development services during the year totalling \$374,488 (2023: \$209,730). At 30 June 2024 the amount payable to Hudson amounted to \$185,241 (2023: \$104,363).

This concludes the remuneration report, which has been audited.

Shares under option

At the date of this report shares under option are as follows:

Grant date	Expiry date	Exercise price	Number under option	Number escrowed	Escrow date
30 August 2022	22 August 2026	\$0.30	2,500,000	2,500,000	22 August 2025
12 September 2022	22 August 2026	\$0.30	500,000	-	-
13 September 2022	22 August 2026	\$0.30	1,500,000	1,500,000	22 August 2025
19 April 2023	22 August 2026	\$0.30	3,000,000	3,000,000	22 August 2025
22 April 2023	22 August 2026	\$0.30	1,500,000	1,500,000	22 August 2025
16 May 2023	22 August 2026	\$0.30	5,000,000	5,000,000	22 August 2025

7,500,000 share options have been issued to employees and executives. A further 5,000,000 share options were issued to the lead manager and 1,500,000 share options issued to advisors.

Shares issued on the exercise of options

No shares in the company were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options granted.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company has not paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

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

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

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

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

Officers of the company who are former partners of BDO Audit Pty Ltd

There are no officers of the company who are former partners of BDO Audit Pty Ltd.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

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

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Adrien Wing
Director

27 August 2024
Melbourne

For personal use only

DECLARATION OF INDEPENDENCE BY TONY BATSAKIS TO THE DIRECTORS OF CLEO DIAGNOSTICS LIMITED

As lead auditor of Cleo Diagnostics Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Tony Batsakis
Director

BDO Audit Pty Ltd

Melbourne, 27 August 2024

Cleo Diagnostics Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024



	Note	2024 \$	2023 \$
Income	3	600,147	110,080
Expenses			
Employee benefits expense		(901,713)	(1,097,275)
Professional fees		(199,657)	(271,596)
Compliance costs		(246,143)	(25,400)
Investor relations		(234,241)	(3,300)
Research and development expenditure		(2,572,127)	(247,755)
Depreciation and amortisation	4	(59,185)	(43,821)
Finance expense	4	(26,516)	(110,776)
Other expenses		(119,799)	(39,657)
Loss before income tax expense	4	(3,759,234)	(1,729,500)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the company		(3,759,234)	(1,729,500)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the company		<u>(3,759,234)</u>	<u>(1,729,500)</u>
		\$	\$
Loss per share from continuing operations attributable to the owners of Cleo Diagnostics Limited			
Basic loss per share	22	(0.0320)	(0.0659)
Diluted loss per share	22	(0.0320)	(0.0659)

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

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	6	9,372,763	239,774
Trade and other receivables		57,444	31,919
Prepayments	7	<u>7,762</u>	<u>308,519</u>
Total current assets		<u>9,437,969</u>	<u>580,212</u>
Non-current assets			
Intangible assets	8	408,333	458,333
Property plant and equipment	9	<u>31,946</u>	<u>38,084</u>
Total non-current assets		<u>440,279</u>	<u>496,417</u>
Total assets		<u>9,878,248</u>	<u>1,076,629</u>
Liabilities			
Current liabilities			
Trade and other payables	10	439,863	417,368
Convertible loan note	11	-	1,600,000
Employee benefits		<u>46,353</u>	<u>2,676</u>
Total current liabilities		<u>486,216</u>	<u>2,020,044</u>
Total liabilities		<u>486,216</u>	<u>2,020,044</u>
Net assets / (liabilities)		<u>9,392,032</u>	<u>(943,415)</u>
Equity			
Issued capital	12	13,706,586	46,531
Reserves	13	1,218,111	783,485
Accumulated losses		<u>(5,532,665)</u>	<u>(1,773,431)</u>
Total equity / (net deficiency in equity)		<u>9,392,032</u>	<u>(943,415)</u>

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

Cleo Diagnostics Limited
Statement of changes in equity
For the year ended 30 June 2024



	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2022	1	1,654	(43,931)	(42,276)
Loss after income tax expense for the year	-	-	(1,729,500)	(1,729,500)
Total comprehensive income for the year	-	-	(1,729,500)	(1,729,500)
<i>Transactions with owners in their capacity as owners:</i>				
Conversion of convertible notes	46,530	(1,654)	-	44,876
Share based payments	-	783,485	-	783,485
Balance at 30 June 2023	<u>46,531</u>	<u>783,485</u>	<u>(1,773,431)</u>	<u>(943,415)</u>
	Issued capital	Reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2023	46,531	783,485	(1,773,431)	(943,415)
Loss after income tax expense for the year	-	-	(3,759,234)	(3,759,234)
Total comprehensive income for the year	-	-	(3,759,234)	(3,759,234)
<i>Transactions with owners in their capacity as owners:</i>				
Placement of shares through Initial Public Offering	12,000,000	-	-	12,000,000
Capital raising costs	(1,439,945)	-	-	(1,439,945)
Conversion of convertible notes	1,600,000	-	-	1,600,000
Share based payments	1,500,000	434,626	-	1,934,626
Balance at 30 June 2024	<u>13,706,586</u>	<u>1,218,111</u>	<u>(5,532,665)</u>	<u>9,392,032</u>

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

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from government grants		210,812	-
Payments to suppliers and employees (inclusive of GST)		(2,589,808)	(684,465)
Interest received		348,819	-
		<u> </u>	<u> </u>
Net cash used in operating activities	21	<u>(2,030,177)</u>	<u>(684,465)</u>
Cash flows from investing activities			
Payments for intangible asset		-	(300,000)
Payments for property plant and equipment		(3,047)	(40,239)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(3,047)</u>	<u>(340,239)</u>
Cash flows from financing activities			
Proceeds from issue of shares		12,000,000	-
Payment of capital raising costs		(833,787)	(181,523)
Net (repayment of) / proceeds from borrowings		-	(200,000)
Issue of convertible notes		-	1,603,250
		<u> </u>	<u> </u>
Net cash from financing activities		<u>11,166,213</u>	<u>1,221,727</u>
Net increase in cash and cash equivalents		9,132,989	197,023
Cash and cash equivalents at the beginning of the financial year		<u>239,774</u>	<u>42,751</u>
Cash and cash equivalents at the end of the financial year	6	<u>9,372,763</u>	<u>239,774</u>

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

General information

The financial statements are presented in Australian dollars, which is Cleo Diagnostics Limited's ('Cleo' or 'the Company') functional and presentation currency.

At 30 June 2024 Cleo Diagnostics Limited was a listed public company limited by shares, incorporated and domiciled in Australia. During the year end the company completed an Initial Public Offering and its shares were listed publicly on the ASX. Its registered office and principal place of business is:

Level 2, 480 Collins Street
MELBOURNE VIC 3000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements. These financial statements are not a consolidated set of financial statements and therefore the company is not required to disclose consolidated entity disclosures.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2024. The directors have the power to amend and reissue the financial statements.

Note 1. Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These financial statements have been prepared for management in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities and represent the year from 1 July 2023 to 30 June 2024. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

The company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Current and non-current classification

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

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.

Note 1. Material accounting policies (continued)

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.

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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed in the relevant notes to the accounts. At 30 June 2024 the following significant judgement, estimates or assumptions impacted the results or financial position of the company:

- Income tax (see note 5)
- Intangible assets (life of asset, treatment of future payments due under the licence agreement and impairment, see note 8)
- Share based payments (see note 13)

Note 3. Income

	2024	2023
	\$	\$
Interest income	362,819	-
Research and development grant income	210,812	-
Convertible note discount	26,516	110,080
	<u>600,147</u>	<u>110,080</u>
Convertible note discount	<u>600,147</u>	<u>110,080</u>

Accounting policy

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Note 4. Expenses

	2024	2023
	\$	\$
<i>Depreciation and amortisation</i>		
Depreciation of equipment	9,185	2,154
Amortisation of intangible assets	50,000	41,667
	<u>59,185</u>	<u>43,821</u>
<i>Finance expense</i>		
Interest charged on convertible notes	26,516	110,080
Other interest	-	696
	<u>26,516</u>	<u>110,776</u>
Superannuation – defined contribution scheme	<u>71,251</u>	<u>34,346</u>
Share based payments *		
Share options granted	-	783,485
Issue of shares in accordance with licence agreement ** (refer note 8 – Intangible assets)	1,500,000	-
	<u>1,500,000</u>	<u>783,485</u>

* Excludes share based payments recorded directly in equity

** Expense is included in the total "Research and development expenditure" in the Statement of profit and loss and other comprehensive income.

Note 5. Income tax expense

	2024 \$	2023 \$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	-	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(3,759,234)	(1,729,500)
Tax at the statutory tax rate of 25%	(939,808)	(432,375)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Interest on convertible notes	-	174
Share based payments	375,000	195,871
Research and development tax incentive received	(52,703)	-
Research and development expenditure to be claimed in tax incentive	391,740	-
Deferred taxes arising from temporary differences not recognised	(42,763)	(20,794)
Tax losses not recognized	268,534	257,124
Income tax expense	-	-
Tax losses not recognized - Gross	1,530,805	1,069,935
Unrecognised deferred tax asset at 25% (2023: 25%)	382,701	267,484

Accounting policy

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; 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.

Note 5. Income tax expense (continued)

Critical accounting judgements, estimates and assumptions

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 6. Current assets - cash and cash equivalents

	2024 \$	2023 \$
Cash at bank	7,323,090	239,774
Cash on short term deposit	2,049,673	-
	<u>9,372,763</u>	<u>239,774</u>

Accounting policy

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. For the statement of cash flows presentation purposes, where cash and cash equivalents also includes bank overdrafts, these are shown within borrowings in current liabilities on the statement of financial position.

Note 7. Current assets - prepayments

	2024 \$	2023 \$
Prepayments	<u>7,762</u>	<u>308,519</u>

Prepayments in the prior year related largely to costs incurred in relation to preparing the company's prospectus for the capital raising completed after the balance date. During the current year the company was admitted to the Official List of the ASX and the prepayments released against cost of capital raising.

Note 8. Non-current assets – intangible assets

	2024 \$	2023 \$
Licence acquired	500,000	500,000
Licence – accumulated amortisation	<u>(91,667)</u>	<u>(41,667)</u>
	<u>408,333</u>	<u>458,333</u>

The company entered into a licence agreement with Hudson Institute of Medical Research that was signed on 29 August 2022.

The licence agreement gave the company exclusive rights to commercialise the licenced technology. In the period ended 30 June 2022 the company had paid a deposit pursuant to the licence agreement, paying the remaining \$300,000 upon signing of the agreement. The agreement also provided for the company to issue shares to the value of \$1,500,000 and 7,500,000 ordinary shares were issued on the lodgement of a prospectus to list the company. A further payment of \$1,500,000 in cash is provided in the agreement upon achievement of the first regulatory approval for the first product in the USA (FDA), Australia (TGA), Europe (CE) or Japan (PMDA). The agreement also included a royalty of 3% on net sales, plus levies on any sub-licensing agreements entered into by the company.

Note 8. Non-current assets – intangible assets (continued)

Accounting policy

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The issue of the 7,500,000 shares to Hudson upon listing the company's shares was as a result of the company listing its shares, and completion of the licence agreement was not solely dependent on the company listing its shares on the ASX. Therefore it was determined that the issue of the shares was a contingent payment subsequent to the completion of the licence agreement, and was not a part of the cost of the licence acquired. Therefore the company expensed the \$1,500,000 payment via issued capital upon lodgement of a prospectus by the company. The \$1,500,000 payment in cash upon achievement of the first product and all royalty and sub-licence levies will be expensed as incurred.

Research and development

Research costs are expensed in the period in which they are incurred.

Patents and trademarks

Costs associated with patents are expensed as they are incurred.

Estimated useful life of intangible assets

The company determines the estimated useful life of its intangible assets, and the related amortisation charge. The useful life could change significantly as a result of technical innovations or other events. Amortisation charges will increase where the useful life is less than the previous estimate of useful life or where there is technical obsolescence.

The company's acquired licence will be amortised over its useful life from the commencement of the licence agreement with Hudson, in accordance with the terms of the licence agreement. The useful life is estimated based on the sales life cycle and patent period of the licenced technology. No sales have yet been made, or patents secured. The current estimated useful life of the licenced technology is 10 years and will be reassessed as the licenced technology is developed.

Impairment of non-financial assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are consolidated together to form a cash-generating unit.

Critical accounting judgements, estimates and assumptions

Other intangible assets comprise licenced technologies and are stated at cost less accumulated amortisation. The company assesses impairment of non-financial indefinite life intangible assets and intangible assets not yet ready for use at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Estimated Useful Lives of Other Intangible Assets

The company determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 9. Non-current assets - property, plant and equipment

	2024	2023
	\$	\$
Plant and equipment - at cost	35,559	35,559
Less: Accumulated depreciation	<u>(8,297)</u>	<u>(1,185)</u>
	27,262	34,374
Computer equipment - at cost	7,726	4,679
Less: Accumulated depreciation	<u>(3,042)</u>	<u>(969)</u>
	4,684	3,710
	<u>31,946</u>	<u>38,084</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment \$	Computer equipment \$	Total \$
Balance at 30 June 2022	-	-	-
Additions	35,559	4,679	40,238
Depreciation expense	<u>(1,185)</u>	<u>(969)</u>	<u>(2,154)</u>
Balance at 30 June 2023	34,374	3,710	38,084
Additions	-	3,047	3,047
Depreciation expense	<u>(7,112)</u>	<u>(2,073)</u>	<u>(9,185)</u>
Balance at 30 June 2024	<u>27,262</u>	<u>4,684</u>	<u>31,946</u>

Accounting policy

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-5 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 10. Current liabilities - trade and other payables

	2024	2023
	\$	\$
Trade and other payables	<u>439,863</u>	<u>417,368</u>

Accounting policy

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year 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.

Note 11. Current liabilities – convertible notes

	2024 \$	2023 \$
Convertible loan notes	-	1,600,000

During the prior year the company issued 1.6 million convertible loan notes at an issue price of \$1 per note. The notes were converted into ordinary shares on completion of the Initial Public Offer (“IPO”).

The interest expensed for the year is calculated by applying an effective interest rate of 15 per cent to the liability component since the loan notes were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the carrying amount reported in the statement of financial position represents the effective interest rate less interest paid to that date.

The net proceeds received from the issue of the convertible loan notes have been accounted for as follows:

	2024 \$	2023 \$
Liability component brought forward	1,600,000	40,680
Proceeds from issue of convertible notes (Foundation notes)	-	3,500
Proceeds from issue of convertible notes (Seed capital notes)	-	1,600,000
Equity component – founder notes	-	(76)
Discount received on convertible notes	(26,516)	(110,080)
Interest charged (using effective interest rate)	26,516	110,776
Converted to equity	(1,600,000)	(44,800)
Liability component of convertible loan notes	-	1,600,000

Accounting policy

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company’s own equity instruments.

Note 11. Current liabilities – convertible notes (continued)

Compound instruments

The component parts of convertible loan notes issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognised in equity will be transferred to issued capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings/accumulated losses. In addition, where the conversion option is not a derivative, being where the value of the conversion option does not change with a change in a control price or IPO price, the conversion option is accounted for as a liability on initial recognition. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Critical accounting judgements, estimates and assumptions

The company's convertible notes were issued with no interest charge. In order to determine the capital and interest portion of the convertible notes an interest rate have been estimated using the APRA and RBA estimated Business Finance Lending Rates. The rate applied is 15%. Had the estimate varied the split between capital and interest would vary, and result in a different interest charge and associated liability.

Note 12. Equity - issued capital

	2024		2023	
	No.	\$	No.	\$
Ordinary shares - fully paid	128,500,001	13,514,285	45,000,001	46,531

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance as at 30 June 2022		1		1
Conversion of convertible notes (founder notes)	30 November 2022	45,000,000	\$0.001	46,530
Balance as at 30 June 2023		45,000,001		46,531
Issue of shares to vendor of licence	18 August 2023	7,500,000	\$0.20	1,500,000
Issue of shares on Initial Public Offering	18 August 2023	60,000,000	\$0.20	12,000,000
Issue of shares on conversion of convertible notes	18 August 2023	16,000,000	\$0.10	1,600,000
Cost of issuing equity		-	-	(1,439,945)
Balance	30 June 2024	<u>128,500,001</u>		<u>13,706,586</u>

Ordinary shares

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

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

Accounting policy

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.

Capital risk management

During the year end the company has had its shares listed on the Official List of the ASX. The current capital structure is subject to change and development to ensure its goals of securing funding to satisfy licence agreements, and further develop the intangible assets.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 13. Equity – reserves

	2024	2023
	\$	\$
Share based payments reserve	<u>1,218,111</u>	<u>783,485</u>
	<u>1,218,111</u>	<u>783,485</u>

The reserve is used to record the value of equity instruments issued to employees, directors and service providers as part of their remuneration, and other parties as part of compensation for their services.

<i>Movement in reserve</i>	2024	2023
	\$	\$
Opening balance	783,485	-
Share based payments – services received	<u>434,626</u>	<u>783,485</u>
Closing balance	<u>1,218,111</u>	<u>783,485</u>

During the year the company issued share options to the lead manager upon completion of the Initial Public Offering, contracted on 16 May 2023.

Option valuation inputs

The options issued during the current year were valued using the following inputs:

Number of options	5,000,000
Grant date ¹	16 May 2023
Expiry date	22 August 2026
Share price at grant date (spot price)	\$0.20
Exercise price	\$0.30
Risk free rate	3.13%
Volatility ²	80%
Fair value at grant date \$/option	0.0869
Expense recorded in year	\$434,626

¹ Granted on signing of mandate in FY2023, expensed directly in equity upon completion of the IPO in FY2024

² Volatility is estimated based on volatility of a number of listed companies in the from the same sector of a comparable size

Movements in share-based payment options during the year

2024	KMP Share options ⁽¹⁾	Employee Share options	Consultant options ⁽¹⁾	Total
At 1 July 2023	7,000,000	500,000	1,500,000	9,000,000
Granted	-	-	5,000,000	5,000,000
Expired	-	-	-	-
Outstanding at 30 June 2024	<u>7,000,000</u>	<u>500,000</u>	<u>6,500,000</u>	<u>14,000,000</u>
<i>Not exercisable at 30 June 2024</i>	-	-	-	-

1. The share options, or shares issued upon exercise of the options are escrowed until 2 years from listing date (18 August 2025).

2023	KMP Share options	Employee Share options	Consultant options	Total
At 1 July 2022	-	-	-	-
Granted	7,000,000	500,000	1,500,000	9,000,000
Expired	-	-	-	-
Outstanding at 30 June 2023	<u>7,000,000</u>	<u>500,000</u>	<u>1,500,000</u>	<u>9,000,000</u>
<i>Not exercisable at 30 June 2023</i>	<u>7,000,000</u>	-	<u>1,500,000</u>	<u>8,500,000</u>

Note 13. Equity – reserves (continued)

Options summary
2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/08/2022	22/08/2026	\$0.30	2,500,000	-	-	-	2,500,000
12/09/2022	22/08/2026	\$0.30	500,000	-	-	-	500,000
13/09/2022	22/08/2026	\$0.30	1,500,000	-	-	-	1,500,000
19/04/2023	22/08/2026	\$0.30	3,000,000	-	-	-	3,000,000
22/04/2023	22/08/2026	\$0.30	1,500,000	-	-	-	1,500,000
16/05/2023	22/08/2026	\$0.30	-	5,000,000	-	-	5,000,000
			9,000,000	5,000,000	-	-	14,000,000

The weighted average exercise price of the options on issue is \$0.30. All options have fully vested and are fully exercisable as at 30 June 2024.

Significant accounting policy – share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Conditions

Share options do not entitle the holder to participate in dividends and the proceeds on winding up of the Company. The holder is not entitled to vote at General Meetings. During the year no share options were converted to ordinary shares. The expense relates to options granted in employment agreements and updated in a Board resolution on 19 April 2024 to vest immediately.

Critical accounting judgements, estimates and assumptions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 14. Equity – dividends

No dividends were paid during the financial year.

Accounting policy

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 15. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the company.

	2024	2023
	\$	\$
<i>Audit services – BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	67,500	86,000
<i>Other services - BDO</i>		
Tax compliance services	9,150	20,400
Preparation of R&D tax incentive claim	36,750	-
Early Stage Innovation Company (ESIC) report preparation	16,850	-
Independent Accountant Report for IPO prospectus	-	52,000
	<u>130,250</u>	<u>158,400</u>

Note 16. Contingent assets

The company had no contingent assets at 30 June 2024 (30 June 2023: Nil).

Note 17. Contingent liabilities

Under the licence agreement the company is required to pay to Hudson Institute of Medical Research:

- the sum of \$1,500,000 upon the achievement of the first regulatory milestone, being the first regulatory approval achieved by the company.

Note 18. Commitments

During the year the company entered into an agreement with Lindus Health in the US to manage the clinical trials. Lindus Health will manage the contracting of the clinical test sites, recruitment of patients and management of test results. The Statement of Works agreed with Lindus Health is expected to take over a year, and the company committed to a programme of future payments of US\$685,208 (\$1,026,052 at year end exchange rates of \$0.66781 to US\$1). The agreement with Lindus Health includes the provision of pass through costs payable to third parties for services provided in the clinical trials. These costs are estimated at US\$1,334,834 (\$1,998,823 at year end exchange rates).

In addition the company has a Service Agreement which includes charges for the use of laboratory and office space at the Monash Health Translation Precinct. The service period ends in November 2024, and the charges approximate \$8,000 per month.

At 30 June 2024 the company has no other contracted commitments (2023: Nil).

Note 19. Financial instruments

Financial risk management objectives

The company's activities have exposed it to limited financial risks to date, the main risks being credit risk and liquidity risk, relating to loans and payables and available cash.

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign exchange risk

The company has no significant exposure to foreign exchange risk.

Price risk

The company is not exposed to any significant price risk.

Interest rate risk

The company's interest rate risk is limited to interest receivable on bank deposits. The Board monitors all deposits and interest rates and incorporates this into placement of funds. The Board's focus is on maintenance of its funds for use in its development of its operations, and consequently places funds in low risk deposits within known existing banking facilities. The company's current term deposits amount to \$2,049,673 (2023: nil) and variable rate operating cash deposits amount to \$7,323,090 (2023: \$239,774).

A 1% change in interest rates earned would increase/(decrease) annual interest income on variable interest operating cash deposits by up to \$73,230 (2023: \$2,398).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's risk is limited to bank deposits, which are deposited with high street banks with sound credit ratings, and the ATO. Therefore the Board is satisfied credit risk is minimal.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The company has no borrowings at 30 June 2024 (2023: convertible loan notes of \$1,600,000).

Remaining contractual maturities

The company's liabilities at 30 June 2024 relate to trade and other payables, linked to operations. All liabilities are due on commercial terms, generally all less than 3 months, and the Company aims to ensure it meets with all its obligations in a timely manner.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Related party transactions

Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2024	2023
	\$	\$
Short-term employee benefits	539,244	298,449
Post-employment benefits	42,211	22,735
Share-based payments	-	609,556
	<u>581,455</u>	<u>930,740</u>

Amounts payable to T Jobling for director fees of \$41,739 remain outstanding at 30 June 2024.

Transactions with related parties

The following transactions occurred with related parties:

Research and development - Hudson

Acquisition of intangible asset	-	500,000
Issue of shares pursuant to licence agreement	1,500,000	-
Research and development expenditure	<u>374,488</u>	<u>209,730</u>

Hudson Institute of Medical Research is an independent organisation. The company acquired the licence to commercialise technology developed by the Institute. Andrew Stephens, a director of the company, established and leads the research team that developed the licenced technology. At 30 June 2024 \$185,241 (2023: \$104,363) was payable to Hudson in trade and other payables.

All transactions were carried out on commercial terms.

Receivable from and payable to related parties

There are no balances outstanding at the reporting date in relation to transactions with related parties other than those items described above.

Note 21. Reconciliation of loss after income tax to net cash used in operating activities

	2024	2023
	\$	\$
Loss after income tax expense for the year	(3,759,234)	(1,729,500)
Adjustments for:		
Non-cash interest - net	-	696
Share based payment	1,500,000	783,485
Depreciation and amortisation	59,185	43,821
Capital raising costs classified in financing activities	(171,532)	-
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(11,526)	(31,060)
(Increase) in accrued interest	(14,000)	-
Decrease / (Increase) in prepayments	300,757	(126,996)
Increase in trade and other payables	22,496	372,413
Increase in employee benefits	43,677	2,676
Net cash used in operating activities	(2,030,177)	(684,465)

Note 22. Loss per share

	2024	2023
	\$	\$
Basic loss per share	(0.0320)	(0.0659)
Diluted loss per share	(0.0320)	(0.0659)
	\$	\$
Net loss after tax attributable to the owners of Cleo Diagnostics Limited used in calculation of basic and diluted earnings per share	(3,759,234)	(1,729,500)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Basic		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	117,321,039	26,260,276
Diluted		
Weighted average number of ordinary shares used in calculating diluted loss per share	117,321,039	26,260,276

The Company made losses during the year. Consequently, any outstanding equity instruments would have an antidilutive effect. At 30 June 2024 the Company had 14,000,000 share options that were potentially dilutive. The share options had been granted and issued at 30 June 2024.

Note 23. Operating segments

The company has adopted AASB 8 Operating Segments whereby segment information is presented using a “management approach”. Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Makers, in the company’s case being the Board of Directors, that are used to make strategic decisions. At 30 June 2024 the company operates predominately in one geographical location. The company does not have any operating segments with discrete financial information. The company does not have any customers outside Australia, and all the company’s assets and liabilities are located within Australia.

The Board of Directors review internal management reports at regular intervals that are consistent with the information provided in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. As a result, no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decisions including assessing performance and in determining the allocation of resources.

Note 24. Events after the reporting period

On 31 July 2024 the company announced it had selected and contracted the initial sites for US clinical trials in support of its FDA application in the US. This follows the company obtaining Institutional Review Board (“IRB”) approval for clinical trials.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Consolidated entity disclosure statement

The company is not required to prepare consolidated financial statements and as a result, section 295(3A) of the Corporations Act 2001 does not apply to the company.

For personal

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- the directors have been given the declarations required by section 295A of the Corporations Act 2001 by the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2024;
- the consolidated entity disclosure statement on page 38 is true and correct.

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

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

On behalf of the directors



Adrien Wing
Director

27 August 2024
Melbourne

INDEPENDENT AUDITOR'S REPORT

To the members of Cleo Diagnostics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cleo Diagnostics Limited (the Company), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information and the directors' declaration.

In our opinion the accompanying financial report of Cleo Diagnostics Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Issue of ordinary shares

Key audit matter	How the matter was addressed in our audit
<p>During the year, the Company was admitted to the Official List of the ASX (“IPO”) and issued equity ordinary shares and options as part of the IPO, including conversion of convertible notes issued in the previous year.</p> <p>This is considered a key audit matter as the recognition and classification of equity shares, including associated costs recorded directly in equity and convertible notes converted into equity are complex accounting areas given the requirements of the Accounting Standards.</p> <p>Refer to Note 12 “Equity - issued capital”, Note 8 “Non-current assets - intangible assets” and Note 13 “Equity - reserves” of the accompanying financial report for a description of the accounting policies applied to these transactions.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> • Consideration of the accounting treatment of equity shares issued and convertible notes converted into equity to ensure the transactions were correctly recorded in accordance with the requirements of the Accounting Standards. • Assessing management’s judgements and estimates for bias and considering the appropriateness of the accounting policies chosen for financial reporting and their compliance with relevant Accounting Standards. • Assessing an expert report obtained by management, including consultation with our technical accounting team, on the accounting treatment adopted for ordinary shares issued on IPO as part consideration for the license agreement entered into with Hudson Institute of Medical Research. • On a sample basis, testing of equity capital raised and costs recorded directly into equity to source documentation such as bank statements, supplier invoices and contract agreements, including assessing whether their recognition in equity complies with the requirements of the Accounting Standards. • Evaluating the appropriateness of the valuation methodology applied against the relevant accounting standard including an assessment of the significant inputs applied by management in the valuation model in respect of the options issued to the lead manager for the IPO. • Evaluating the adequacy of the disclosures relating to equity ordinary shares, share based payments and convertible notes in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company’s annual report for the year ended 30 June 2024, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the Financial Report

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

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

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

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2024.

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



Responsibilities

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

BDO Audit Pty Ltd

A handwritten signature in black ink. The signature reads 'BDO.' on the top line and 'Tony Batsakis' on the bottom line. The signature is slanted to the right.

Tony Batsakis
Director

Melbourne, 27 August 2024

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

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	15	0
1,001 to 5,000	217	0.52
5,001 to 10,000	127	0.83
10,001 to 100,000	412	13.69
100,001 and over	197	84.96
	968	100
Holding less than a marketable parcel	9	0

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HUDSON INSTITUTE INVESTMENT HOLDINGS PTY LTD	7,500,000	5.84
LOUMEA INVESTMENT PTY LTD	7,000,000	5.45
WING INVESTMENT HOLDINGS PTY LTD <WING FAMILY A/C>	6,500,000	5.06
MICHELLE WING	6,500,000	5.06
NATALIE PATTERSON	3,000,000	2.33
ZEN INNOVATIONS PTY LTD	3,000,000	2.33
HARDY ROAD INVESTMENTS PTY LTD	2,130,000	1.66
CLINTON CAREY	2,125,000	1.65
EDUARDO VOM	2,000,000	1.56
JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>	2,000,000	1.56
DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	1,700,000	1.32
CITICORP NOMINEES PTY LIMITED	1,538,414	1.20
OGG PTY LTD	1,500,000	1.17
RICHARD ALLMAN	1,500,000	1.17
RICHARD VOM	1,500,000	1.17
WING INVESTMENT HOLDINGS PTY LTD <WING FAMILY A/C>	1,250,000	0.97
BRETT WING	1,200,000	0.93
APNEA HOLDINGS PTY LTD <KELLY FAMILY A/C>	1,200,000	0.93
KEVIN FREDERICK WELLISCH	1,125,000	0.88
THOMAS WILLIAM JOBLING	1,000,000	0.78
	55,268,414	43.02

Unquoted equity securities

	Number on issue	% of options held
Options over ordinary shares issued		
TAYCOL NOMINEES PTY LTD <211 A/C>	3,233,750	23.10
RICHARD ALLMAN	2,500,000	17.86
THOMAS WILLIAM JOBLING	1,500,000	10.71
FOTOVET PTY LTD <STEPHENS FAMILY A/C>	1,500,000	10.71
IRX ENTERPRISES PTY LTD <IRX A/C>	1,500,000	10.71
LUCINDA JOAN FRAWLEY	1,500,000	10.71
AROSA CAPITAL PARTNERS	800,000	5.71
HUI YU CHAN	500,000	3.57
JOARCH JAGIA INVESTMENTS PTY LTD	375,000	2.68
BAYESIAN HOLDINGS PTY LTD <M & IL A/C>	291,250	2.08
ANDREW JOHN TATE & PAMELA ZERVAS <TATE & ZERVAS NO 2 A/C>	78,750	0.56
DANIEL EDDINGTON & JULIE EDDINGTON <DJ HOLDINGS A/C>	75,000	0.54
MR MICHAEL ZOLLO	62,500	0.45
WOBBLY INVESTMENTS PTY LTD	50,000	0.36
FRENEY NOMINEES PTY LTD	28,750	0.21
MR JAMES GIBNEY	5,000	0.04
	14,000,000	100.00

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
Hudson Institute Investment Holdings Pty Ltd	7,500,000	5.84
Richard Vom	9,515,000	7.41
Michelle Wing	14,250,000	11.09

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Restriction Period	Number of shares
Unquoted ordinary shares	24 months from date of official quotation	46,900,000
Unlisted options	24 months from date of official quotation	13,500,000
		60,400,000

Directors	Adrien Wing Richard Allman Andrew Stephens Tom Jobling Lucinda Nolan
Company secretary	Pauline Moffatt
Registered office	Level 2 480 Collins Street Melbourne VIC 3000
Principal place of business	Level 2 480 Collins Street Melbourne VIC 3000
Share register	Xcend Pty Ltd Level 2, 477 Pitt Street Haymarket NSW 2000
Auditor	BDO Audit Pty Ltd Collins Square, Tower Four Level 18, 727 Collins Street Melbourne Vic 3000
Solicitors	Hamilton Locke Level 48, 152-158 St Georges Terrace Perth WA 6000
Bankers	National Australia Bank Level 29, 395 Bourke Street Melbourne Vic 3000
Stock exchange listing	Cleo Diagnostics Limited shares are listed on the Australian Securities Exchange (ASX code: COV)
Website	www.cleodx.com
Corporate Governance Statement	https://cleodx.com/about/corporate-governance/