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Preheating

ANNUAL REPORT

2024

Vitrafy Life Sciences Limited

ABN: 48 622 720 254

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DIRECTORS' REPORT

30 June 2024

The Directors present their report on Vitrafy Life Sciences Ltd (formally known as Cryogenics Holdings Pty Ltd) for the financial year ended 30 June 2024.

1. General information

Information on Directors

The names of each person who has been a Director during the year and to the date of this report are:

- Sonia Anne Petering
- James Warner Groom
- Sean Cameron
- Brenton Michael Owens
- Brian Leslie Taylor
- Prof John McBain
- Vaughan Webber

All Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Boardroom Pty Ltd provided the Company Secretary as a service. Sally McDow was the nominated individual. Ms. McDow and Boardroom ceased as secretary on 15 May 2024.

Tim Sharpe was appointed as the Company Secretary on 15 May 2024. Tim is a senior executive within the Company and holds a Bachelor of Arts and a Bachelor of Commerce from Deakin University.

Principal activities

The principal activity of Vitrafy Life Sciences Ltd during the financial year was the research, development and commercialisation of its vertically integrated cryopreservation solution. This includes cryopreservation medical devices (freezer, thawer and packaging solutions), LifeChain integrated software system, and application services for identified application areas in human health and animal health services.

No significant changes in the nature of the Company's activity occurred during the financial year.

2. Operating results and review of operations for the year

The loss of the Company after providing for income tax amounted to (\$10,425,475) 2023: (\$7,812,705). During the year, the Company generated commercial revenues through its cryopreservation service work with Huon Aquaculture. Revenue was generated as a result of services cryopreserving the salmon milt of Huon's neo-male broodstock for use within its artificial insemination breeding and genetics program. The salmon breeding program is a seasonal program that is undertaken in May and September each year in the southern hemisphere.

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of Operations

Vitrafy continued to focus on the research, development, validation, and commercialisation of its cryopreservation solution for use within Animal Health and Human Health application areas. As part of the research and development, Vitrafy undertook internal and external scientific validation with research collaboration partners in the areas of blood and blood components, cell and gene therapy, and assisted reproductive technology.

Vitrafy significantly progressed the validation and commercial preparation of the Company in prioritised, regulated, human health applications. The Company:

- Entered into Cooperative Research and Development Agreement (CRADA) with the United States Army Institute of Surgical Research (USAISR) for pre-commercialisation validation for use in blood platelets and blood products (work to commence in FY2025).
- Entered into a Collaborative Research Agreement (CRA) with CSL Innovation Pty Ltd for the research of Vitrafy's cryopreservation technology within cell & gene therapy applications (work to commence in FY2025).
- Completed a phase 1a study on the cryopreservation of T-Cells with Bio Bridge Global, Inc yielding strong post thaw quality results as compared to fresh samples.

The Company progressed its regulatory approval strategy securing initial Food & Drug Administration (FDA) registration for its initial cryopreservation freezing device in the United States. In the period, Vitrafy completed its Q-Submission Program confirming its cryopreservation device classification as a 510(k) exempt, Class II medical device and subsequently completed its regulatory filing requirements (July & August 2024) for use within prioritised applications Blood and blood platelets, sperm, and ova.

In the period, Vitrafy was also granted its ISO13485 certification for its Ballarat head office. This will allow for the manufacture and assembly of devices for commercial use within its facility. Vitrafy also progressed negotiations with third-party manufacturers to support the development of its next generation cryopreservation which will allow for sustainable outsourced manufacturing to occur at scale.

In FY2024, Vitrafy continued commercial activities within the prioritised application area of Animal Health. Commercial activities included paid commercial activities with Huon Aquaculture for the cryopreservation of their neo-male broodstock as part of their breeding program. This involved the cryopreservation freezing and thawing of approximately 600 packs of salmon milt across the 2024 season using Vitrafy's cryopreservation freezing and thawing devices, packaging and application specific know-how. In addition to this, Vitrafy spent the second half of FY2024 working with Huon to integrate their operational systems onto the LifeChain software platform. Vitrafy has commenced commercial negotiations for the use of LifeChain with Huon in the first half of financial year 2025.

In addition to the paid commercial work completed with Huon in calendar year 2024, Vitrafy entered into a Collaborative Research Agreement (CRA) with Select Sires, Inc. for research and validation of Vitrafy's technology for use within the bovine artificial insemination industry. The CRA resulted in Vitrafy completing validation of its technology via the cryopreservation of bovine semen in the Company's laboratory in Ballarat. The results validated the use case and value proposition within bovine with Vitrafy seeking to extend the relationship between SSI and the Company in financial year 2025.

The Company continued to bolster out our skills and capability with 22 employees working within the business. Importantly, this included the build out of the senior executive team with Kathryn (Kate) Munnings being appointed as Chief Executive Officer, commencing work in early 2024. In addition to Kate's appointment, Vitrafy has also appointed a new Chief Financial Officer, Simon Martin, and a new Chief Technical Officer, Dr. David Goad to senior leadership roles immediately post the period. Both bring significant listed market experience and technical expertise to their roles and will help guide Vitrafy through the next phase of growth for the Company.

Directors' Report continued

During FY2024, Vitrafy undertook a capital raise to raise \$10.5 million via the issue of convertible notes. The capital raise was commenced in November 2023 and included the extension of the existing convertible note maturity from 31 December 2023 to 31 December 2024. The Company set out to raise \$10.5 million via an offer to existing investors with the ability to extend the Offer to new investors. The amendment of the existing convertible notes and subsequent capital raise was well supported by existing and new investors with the final raise amount closing at the capital raising limit of \$12.0 million.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

Post reporting date, the Company is aware of the following events relevant to the financial position of the Company:

- On 1 July 2024, the Company issued 1,189,700 options to key executive and management personnel under the Employee Option Plan. These options have a strike price of \$7.11 and incorporate a series of vesting conditions based upon performance and tenure conditions.
- On 11 July 2024, the Company registered its cryopreservation freezing device as a Class II medical device with the Food and Drug Administration (FDA) for use within specific nominated biological materials.
- On 23 July 2024, Mr. Simon Martin commenced in his role as Chief Financial Officer.
- On 5 August 2024, Dr. David Goad commenced in his role as Chief Technology Officer.
- On 30 July 2024, the Supreme Court of Victoria listed the El Zain proceeding for a directions hearing, El Zain's legal representative provided a draft amended pleading for the first time on 13 August 2024. At the directions hearing held on 16 August 2024, Justice Osborne ordered that Vitrafy is not required to respond to the draft amended pleading, and El Zain cannot proceed with its claim, until the costs and security for costs issues raised by Vitrafy have been determined. Please refer to note 13 – Contingent Liability for further information.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Information on Directors

Sonia Anne Petering

Role:	Non-Executive Director and Chair of the Board
Experience:	Sonia is a lawyer with extensive experience as a non-executive director and chair in various highly regulated sectors. Sonia was formerly Chair of ASX-listed Qantm Intellectual Property Limited (previously ASX:QIP), a non-executive director of TAL Dai Ichi Life Australia Pty Ltd, a member of the University of Melbourne Law School Foundation and a councilor of the Victorian Division of the Australian Institute of Company Directors. Sonia previously served as Chair of Virtus Health Ltd (previously ASX:VRT) and Chair of Rural Finance Corporation of Victoria. She also previously served as a board member of Cuscal, Transport Accident Commission and Grampians Wimmera Mallee Water. Sonia served as a member of the Hazelwood Mine Fire Inquiry and she has assisted the Victorian Minister for Water as one of the members of the selection panel for the Water Corporation Board appointments for the past several years. Sonia holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors and member of Chief Executive Women.
As at the date of this report: Interest in Shares and Options:	4,053 Director Options (2023), 11,319 Director Options (2024).
Special Responsibilities:	Chair of the Board

Directors' Report continued

Vaughan Webber

Role:	Non-Executive Director
Experience:	Vaughan has extensive industry and public markets experience, having spent more than 20 years in corporate finance at leading Australian stockbrokers focusing on developing, funding and executing strategies for mid-to-small cap ASX-listed companies (including extensive IPO experience). Vaughan has held directorships in private and other ASX-listed companies. Vaughan is also Chair of Althea Group Holdings Ltd (ASX: AGH).
As at the date of this report: Interest in Shares and Options:	Nil
Special Responsibilities:	Chair of Audit & Risk Committee

James Warner Groom

Role:	Non-Executive Director
Experience:	James has worked for leading law firms in Australia, the United States and the United Kingdom, specialising in the areas of corporate commercial law. James has also worked as senior corporate counsel and company secretary for the Australasian operations of one of the world's largest financial services organisations. James' legal practice is extensive and covers negotiating and documenting commercial transactions of all types, corporate and financial services law, intellectual property, and corporate governance and compliance.
James has a particular interest in assisting start-up companies with establishing appropriate systems and processes.	
As at the date of this report: Interest in Shares and Options:	134,838 Ordinary Shares, Options 2020: 7,175.
Special Responsibilities:	Chair of the Remuneration and Nomination Committee and Director

Prof John McBain

Role:	Non-Executive Director
Experience:	Born in Glasgow, John graduated in medicine from Glasgow University, and trained in obstetrics and gynaecology in Scotland. He came to Australia in 1976 to join the group of doctors researching IVF, as part of which he developed programs that led to safe, successful super-ovulation. John was President of the Fertility Society of Australia in 1991, and Chairman of Melbourne IVF from 1998 to 2005. He became Head of Reproductive Services – ARTR at the Women's Hospital in 2002. A true pioneer in the treatment of infertility, John's efforts to encourage progress in infertility treatment continue. He is a member of The Low-Cost IVF Foundation, which establishes affordable IVF in developing countries; in recognition of his continuing research and academic activities he is also a principal Fellow in the Department of Obstetrics and Gynaecology, University of Melbourne.
As at the date of this report: Interest in Shares and Options:	285,714 ordinary shares, 20,000 ESOP Options (2022), 3,752 Director Options (2022) 5,305 Director Options (2023); 6,792 Director Options (2024).
Special Responsibilities:	Chair of the Scientific Advisory Board

Directors' Report continued

Brenton Michael Owens

Role:	Executive Director
Experience:	Brent is a creative entrepreneur with extensive knowledge in intellectual property development, which has seen him pioneer Vitrafy's technological innovations and supporting patent protection. Brent is responsible for developing the strategic vision for Vitrafy and the alignment of Vitrafy's technology innovations with commercial opportunities. Brent was the runner-up Biotechnology Pioneer of the Year in the 2023 AmCham Alliance Awards.
As at the date of this report: Interest in Shares and Options:	365,670 ordinary shares, 17,938 Options (2020) and 24,659 Options (2022); 503,200 Options (FY25).
Special Responsibilities:	Deputy Chief Executive Officer

Brian Leslie Taylor

Role:	Executive Director
Experience:	With an impressive 23-year career in business development and innovation, Brian, a qualified engineer draws on a proven track record of success to optimise Vitrafy's global market opportunities and strategic partnerships. Brian began his career redeveloping and transforming businesses. His ability to identify and analyse market opportunities and deliver creative solutions has resulted in innovative start-ups and business developments across Regional Victoria, Melbourne and Asia. Prior to his role at Vitrafy, Brian was instrumental in establishing a group of highly successful export companies sourcing and delivering Australian product into China. A skilled communicator and negotiator, Brian is responsible for initiating and facilitating discussions with high profile multi-nationals and industry leaders to maximise opportunities for Vitrafy's unique cryopreservation technology.
As at the date of this report: Interest in Shares and Options:	334,357 Ordinary Shares, Options 2022: 6,579, Options 2020: 17,938, Options 2019: 56,313.
Special Responsibilities:	–

Sean Cameron

Role:	Executive Director
Experience:	Sean is an innovative leader and co-founder of Vitrafy Life Sciences. Sean has deep experience of product development, medical technologies, quality management systems, FDA and the regulatory environment. With more than 15 years' experience in executive leadership roles in biotechnology, manufacturing and industry development, Sean's expertise includes developing and executing business strategies, capital raising, major project funding and incubating new businesses. Sean's experience encompasses export development, supply chain integration and cold chain logistics. Sean is entrepreneurial, creative and inventive having successfully developed intellectual property and innovation patents and holds an MBA from Federation University Australia and is a member of the Golden Key International Honour Society.
As at the date of this report: Interest in Shares and Options:	309,357 Ordinary Shares, Options 2022: 24,659, Options 2020: 17,938, Options 2019: 56,313.
Special Responsibilities:	–

Directors' Report continued

Meetings of Directors

During the financial year, 9 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Directors	Board Meetings		Committee Meetings			
	Meetings Eligible to Attend	Meetings Attended	Audit & Risk Committee		Remuneration Committee	
			Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended
Sonia Anne Petering	9	9	5	5	1	1
James Warner Groom	9	8	3	3	1	1
Brenton Michael Owens	9	9	5	5	–	–
Sean Cameron	9	8	1	1	–	–
Brian Leslie Taylor	9	9	1	1	–	–
Prof John McBain	9	9	1	1	1	1
Vaughan Webber	9	8	5	5	–	–

Indemnification and insurance of officers and auditors

(a) Insurance of officers

During the year, Vitrafy Life Sciences Ltd paid premiums in respect of insuring the Directors and officers.

(b) Insurance of auditors

Vitrafy Life Sciences Ltd has not, during or since 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 party.

Proceeding on behalf of the Company

No person has applied for leave of Court, under Section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. The Company was not a party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2024 has been received and can be found on page 07 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Sonia Petering
Chair of Vitrafy Life Sciences

Dated this 23rd Day of August 2024



Vaughan Webber
Non-Executive Director

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration

To the Directors of Vitrafy Life Sciences Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Vitrafy Life Sciences Ltd for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in cursive script that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in cursive script that reads "M A Cunningham".

M A Cunningham
Partner – Audit & Assurance
Melbourne, 23 August 2024

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2024

	Note	2024 \$	2023 \$
Sales revenue		37,166	31,650
Government grants		2,022,825	2,013,326
Other income	3	33,573	11,487
Administrative expenses		(2,676,139)	(1,843,122)
Research and development expenses		(4,247,626)	(4,179,363)
Other expenses	5	(3,782,440)	(3,174,400)
Finance expenses		(10,431,863)	(4,993,357)
Fair value gain/(loss) on embedded derivative		8,619,029	4,321,074
Loss before income tax		(10,425,475)	(7,812,705)
Income tax expense	14	–	–
Loss for the year		(10,425,475)	(7,812,705)
Total comprehensive loss for the year		(10,425,475)	(7,812,705)
Loss per share			
Basic loss per share (cents per share)	22	(339.84)	(264.92)
Diluted loss per share (cents per share)	22	(339.84)	(264.92)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As At 30 June 2024

	Note	2024 \$	2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		6,412,662	1,720,864
Trade and other receivables	6	218,186	166,021
R&D tax incentive receivable		2,022,825	2,013,326
Prepayments		376,708	–
TOTAL CURRENT ASSETS		9,030,381	3,900,211
NON-CURRENT ASSETS			
Property, plant and equipment	7	345,988	447,022
Right-of-use assets	8	399,560	581,214
TOTAL NON-CURRENT ASSETS		745,548	1,028,236
TOTAL ASSETS		9,775,929	4,928,447
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	403,779	629,293
Convertible notes	10	22,858,398	8,553,645
Derivative financial instruments	10	10,174,395	9,358,876
Lease liabilities	8	82,569	94,970
Employee benefits	11	359,294	315,440
TOTAL CURRENT LIABILITIES		33,878,435	18,952,224
NON-CURRENT LIABILITIES			
Lease liabilities	8	392,357	544,200
Employee benefits	11	106,226	65,178
TOTAL NON-CURRENT LIABILITIES		498,583	609,378
TOTAL LIABILITIES		34,377,018	19,561,602
NET ASSETS		(24,601,089)	(14,633,155)
EQUITY			
Ordinary Shares	12	5,187,576	4,919,584
Share Options Reserve	12	869,152	679,231
Accumulated losses		(30,657,817)	(20,231,970)
TOTAL EQUITY		(24,601,089)	(14,633,155)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2024

2024	Note	Ordinary Shares \$	Share Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2023		4,919,584	679,231	(20,231,970)	(14,633,155)
Loss for the period		–	–	(10,425,474)	(10,425,474)
Shares issued during the year		267,992	(149,736)	–	118,256
Prior Period Adjustment		–	–	(373)	(373)
Share options expense		–	339,656	–	339,656
Balance at 30 June 2024	12	5,187,576	869,152	(30,657,817)	(24,601,089)

2023	Note	Ordinary Shares \$	Share Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2022		4,828,834	320,130	(12,419,265)	(7,270,301)
Loss for the period		–	–	(7,812,705)	(7,812,705)
Shares issued during the year		90,750	–	–	90,750
Share options expense		–	359,101	–	359,101
Balance at 30 June 2023	12	4,919,584	679,231	(20,231,970)	(14,633,155)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2024

	Note	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and other income (inclusive of GST)		40,883	–
Payments to suppliers and employees		(8,879,389)	(6,791,936)
Interest Received		33,573	11,487
Government grants received		2,013,326	1,823,449
Net cash (used in) operating activities	15	(6,791,607)	(4,957,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(13,072)	(90,415)
Net cash (used in) investing activities		(13,072)	(90,415)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		267,993	90,750
Proceeds from the issue of convertible notes		12,000,000	6,312,354
Payment of convertible notes redemptions		–	(398,083)
Proceeds from related party loans		550,000	–
Payment of related party loans		(550,000)	–
Payment of finance lease liabilities		(132,503)	(97,064)
Payment of transaction costs		(639,013)	(103,003)
Net cash provided by financing activities		11,496,477	5,804,954
Net increase/(decrease) in cash and cash equivalents held		4,691,798	757,539
Cash and cash equivalents at beginning of year		1,720,864	963,325
Cash and cash equivalents at end of financial year		6,412,662	1,720,864

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2024

1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are presented in Australian dollars, which is Vitrafy Life Sciences Ltd 's functional and presentation currency.

2. Summary of Material Accounting Policies

(a) Other income

Government grants

Government grants consist of research and development tax incentive and other income consists of interest income. The Company's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme, these are recognised at fair value where there is reasonable assurance that the grant will be received, and all grant conditions are met.

(b) Income tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

The income tax expense or benefit is 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 is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Notes to the Financial Statements continued

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) 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.

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.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 payable are stated inclusive of GST. 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 in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Property, plant and equipment

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.

Property, plant and equipment is depreciated on a reducing balance basis over the assets useful life to the Company, commencing when the asset is ready for use.

Depreciation is calculated on a reducing balance 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	3-7 Years
Furniture, Fixtures and Fittings	3-10 Years

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Notes to the Financial Statements *continued*

(f) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Financial liabilities

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Convertible Notes

Convertible notes are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of convertible notes, the note is bifurcated into a financial liability and a conversion option. The conversion option is an embedded derivative, as it does not meet the fixed for fixed criteria. The conversion option is initially recognised at fair value. Subsequent to initial recognition, the embedded derivative is measured at fair value at each reporting date through profit and loss. The difference between the consideration received and initially the fair value of the embedded derivative is recognised as the convertible note. Subsequent to initial recognition, the convertible note is accounted for at amortised cost.

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Notes to the Financial Statements continued

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(g) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand.

(h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(i) Leases

Right-of-use asset

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, adjusted for any initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease. Lease payments comprise of fixed payments and variable lease payments that depend on an index or a rate.

Subsequent to initial recognition, the lease liability is measured at amortised cost. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(j) Trade and other payables

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.

Notes to the Financial Statements continued

(k) Employee benefits

Employee benefit obligations

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the lease liability are recognised in profit or loss.

Share-based payments

Equity-based compensation benefits are provided to employees via the 'employee share option plan' (ESOP). Information relating to these schemes is set out in Note 17. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Employee Options

The fair value of options granted under the Employee Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g.: the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

Notes to the Financial Statements continued

(m) Valuation of embedded derivatives on convertible notes

The Company entered into an agreement with sophisticated investors for the issue of convertible notes. The fair value of the embedded derivative was determined in line with AASB 9. The Company has applied the Monte Carlo model, using assumed inputs. The Monte Carlo model simulates plausible future share price paths assuming that the share price evolves according to the geometric Brownian motion model. The Monte Carlo simulation is a flexible approach that accommodates the conversion conditions and the maturity conditions directly into the valuation approach. The average conversion discount represents the fair value of the embedded derivative.

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(o) Foreign currency transactions and balances

Foreign currency transactions are translated at the spot rate prevailing on the date of the transaction.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(p) 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 thousand dollars, or in certain cases, the nearest dollar.

(q) Going concern

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

For the period ended 30 June 2024, the company incurred an operating loss of \$10,425,475 (2023: \$7,812,705) and reported a deficiency in net assets at 30 June 2024 of \$24,601,089 (2023: \$14,633,155). The Company recorded negative net cash flow from operating activities of \$6,791,607 (2023: \$4,957,000).

The deficiency in Net Assets relates predominantly to the convertible notes on issue. The convertible notes convert to equity upon an Initial Public Offer (IPO). This would place the Company back into a Net Asset surplus position. Alternatively, the convertible notes become due and payable upon maturity.

In order to continue as a going concern, the Company is reliant on raising further capital and the Company is currently preparing for a further capital raising. This involves developing the business operations and strategic plans to maximise the pool of eligible investors (new and existing) and satisfy the requirements for various avenues of capital, including but not limited to an IPO on the Australian Securities Exchange (ASX). The need to raise additional capital gives rise to a material uncertainty which may cast doubt over the Company's ability to continue as a going concern.

The following matters have been considered by Directors in determining the appropriateness of the going concern basis of preparation:

The Company successfully raised \$12,000,000 in capital in December 2023 via the issue of convertible notes which are scheduled to mature on 31 December 2024 with an optional extension period to 30 June 2025. This was in addition to the original June 2021 convertible notes and December 2022 convertible notes which are also scheduled to mature on 31 December 2024 with an optional extension period to 30 June 2025. As a result, all existing convertible notes will mature on 31 December 2024 with an optional extension period to 30 June 2025 (as at balance date). Optional extension of the convertible notes relies on approval of 75% of existing convertible note holders.

Notes to the Financial Statements continued

The Company has three strategies around dealing with the Convertible Notes by 31 December 2024:

- The primary strategy is to execute an IPO in second quarter of FY25 under which the Convertible Notes will convert into ordinary equity. The Company has completed engagement with the ASX on suitability for listing and received in-principle approval that Vitrafy would have a structure and operations suitable for listing on the ASX subject to:
 - The Appointment of Joint Lead Managers (JLMs) on market standard terms (which has been completed); and
 - Securing FDA 510(K) registration for our VCU 1 device (which has been completed post balance date).

The Company believes it has satisfied the ASX requirements for a suitable structure and nature of operations and is confident, with further execution of its strategy, that an IPO is a reasonable prospect. If an IPO is not possible within the timeframe noted above, Vitrafy believes that it would be able to simultaneously secure additional capital from investors and the extension of the existing convertible notes. The Company enjoys the support of its existing investor base and believes that securing further funding until market conditions support a liquidity event is achievable.

Concurrently, the Company is actively engaged with a number of potential strategic and commercial partners to explore commercial arrangements as the Company continues to progress its Human and Animal operations and associated regulatory processes. There is a scenario whereby the Company will become attractive to these strategic partners for a significant strategic investment, joint venture or acquisition. If such a scenario occurs, then the Convertible Notes will be dealt with in any such transaction.

Finally, the Company has a supportive investor and convertible note holders register as evidenced by the approval of the amendment of the existing convertible notes in December 2023. This provides confidence of securing a further rollover to June 2025 if required. If the Company continues to execute in line with its strategic plan, then there is a high probability, subject to market conditions, of a liquidity event being able to be achieved by 31 December 2024.

Vitrafy Management has reviewed operations and capital requirements and determined:

- The areas of focus for the Company over the coming 24 months to June 2026;
- The growth projects required to deliver a sustainable and scalable business;
- The capital requirements of the Company to deliver these growth projects; and,
- The avenues available to the Company for capital raising and liquidity.

Based upon this review, Vitrafy has appointed JLMs to prepare the company to raise up to \$35 million via an IPO by 31 December 2024.

Should there be a delay in the IPO, the Board is confident that it will be able to raise sufficient funds to continue operations until the extended maturity date of the convertible notes of 30 June 2025. In addition, with the above optionality surrounding sources of capital in the event an IPO does not occur, the Directors are satisfied that the Company will have access to sufficient sources of funding to meet its commitments and is able to progress in a managed way its research and development programs and commercialisation over the next 12 months, and for that reason the financial statements have been prepared on the basis that the Company is a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the Company not continue as a going concern.

(r) New standards and interpretations not yet adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Notes to the Financial Statements continued

3. Interest Income

Included in other income is interest received of \$33,573 (2023: \$11,487).

4. Operating Segments

Identification of reportable segments:

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors and management team in assessing performance and determining the allocation of resources. Management has determined there to be only one operating segment.

Management has identified one reportable segment being: Research and Development (R&D): income and expenses directly attributable to the Company's R&D projects.

The financial breakdown for the segment information for the reportable segments for the year ended 30 June 2024 – refer Statement of Profit and Loss & Other Comprehensive Income and the Statement of Financial Position.

5. Result for the Year

The result for the year includes the following specific expenses:

	2024 \$	2023 \$
Other expenses:		
Legal costs	197,435	1,308,598
Professional fees	386,739	115,447
Distribution costs	4,207	309
Donations	–	505
Depreciation expenses	114,106	138,535
Marketing	70,550	21,668
Meeting expenses	4,010	4,091
Occupancy costs	78,345	28,455
Pest control	4,860	4,414
Protective clothing	635	211
Subscriptions	32,785	36,768
Travelling expenses	105,840	68,306
Contract work	303,747	59,204
Patent fees and trademarks	424,454	440,762
Capital raising costs	2,031,905	945,532
Unrealised currency gains	(1,140)	1,140
Realised currency gains	23,962	455
Total	3,782,440	3,174,400

6. Trade and Other Receivables

	2024 \$	2023 \$
CURRENT:		
Deposits	39,300	39,300
GST receivable	146,198	91,906
Accounts receivable	32,688	34,815
Total Trade and Other Receivables	218,186	166,021

7. Property, Plant and Equipment

	2024 \$	2023 \$
Plant and Equipment		
At cost	585,614	572,542
Accumulated Depreciation	(324,474)	(229,610)
Total Plant and Equipment	261,140	342,932
Furniture, Fixtures and Fittings		
At cost	157,545	157,545
Accumulated Depreciation	(72,697)	(53,455)
Total Furniture, Fixtures and Fittings	84,848	104,090
Total Property, Plant and Equipment	345,988	447,022

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Total \$
Year ended 30 June 2024			
Balance at the beginning of year	342,932	104,090	447,022
Additions			
Additions	13,072	–	13,072
Depreciation expense	(94,865)	(19,241)	(114,106)
Balance at the end of the year	261,139	84,849	345,988

	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Total \$
Year ended 30 June 2023			
Balance at the beginning of year	382,779	112,363	495,142
Additions			
Additions	77,355	13,061	90,416
Depreciation expense	(117,202)	(21,334)	(138,536)
Balance at the end of the year	342,932	104,090	447,022

Notes to the Financial Statements continued

8. Leases

Right-of-use assets:

The Company has an operating lease for its office, laboratory and warehouse facilities for a period of three (3) years. The Company took up the option to extend the lease, from 31 January 2024. The lease at 24 Selkirk Drive was ended in December 2023.

	Buildings \$	Total \$
Year ended 30 June 2024		
Balance at beginning of year	581,215	581,215
Additions/(Deletions)	(79,328)	(79,328)
Amortisation for the year	(102,327)	(102,327)
Balance at end of year	399,560	399,560
Year ended 30 June 2023		
Balance at beginning of year	383,667	383,667
Additions	298,193	298,193
Amortisation for the year	(100,645)	(100,645)
Balance at end of year	581,215	581,215

	2024 \$	2023 \$
Current Lease Liability		
Interest Expense	23,503	32,019
Lease Payment	(106,072)	(126,989)
Current Lease Liability	(82,569)	(94,970)
Non-Current Lease Liability		
Interest Expense	83,866	108,037
Lease Payment	(476,223)	(652,237)
Non-Current Lease Liability	(392,357)	(544,200)

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 Year \$	1-5 Years \$	> 5 Years \$	Total Contractual Cash Flows \$
2024				
Lease liabilities	106,072	301,067	175,156	582,295
2023				
Lease liabilities	126,989	463,435	188,802	779,226

9. Trade and Other Payables

	2024 \$	2023 \$
CURRENT		
Trade payables	269,029	441,694
Sundry payables and accrued expenses	134,750	187,599
	403,779	629,293

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

10. Convertible Notes & Derivative Financial Instruments

Background

The Company successfully raised \$12,000,000 in capital via convertible notes in December 2023 to mature on 31 December 2024, with an optional extension period to 30 June 2025.

As part of the capital raising, the Company secured a reconstruction of the existing 2021 convertible notes and 2022 convertible notes to ensure alignment in maturity with the new convertible notes being issued. As consideration for the amendment of the existing convertible note terms, existing noteholders were provided a one-off interest payment that was capitalized in-line with the treatment of interest determined by the structure of the convertible note.

A summary table of outstanding convertible notes as at the balance date, is as follows:

Summary of outstanding convertible notes

Convertible Note Cohort	Nominated Interest Rate – Initial Maturity	Nominated Interest Rate – Extended Maturity	Nominated Interest Rate – Bonus Interest ^{1,2}	Maturity	Extended Maturity	Status	Quantity of Notes on Issue
2021 Convertible Notes ³	12.0%	14.0%	36.2%	31 December 2024	30 June 2025	Unsecured	7,550,000
2022 Convertible Notes ⁴	12.0%	14.0%	18.2%	31 December 2024	30 June 2025	Unsecured	6,312,354
2023 Convertible Notes – Tranche 1 ⁵	14.0%	16.0%	–	31 December 2024	30 June 2025	Ranking Security ⁶	5,840,768
2023 Convertible Notes – Tranche 2 ⁷	14.0%	16.0%	–	31 December 2024	30 June 2025	Ranking Security	6,159,232

- The bonus interest was calculated against the outstanding convertible note principle and accrued interest as at date of reconstruction.
- Bonus interest is treated as a transaction cost throughout the statutory accounts.
- Effective interest rate of 109.3%.
- Effective interest rate of 87.6%.
- Effective interest rate ranging between 27.4% – 28.3% varied because of the difference in issuance date.
- In all respects, all (Tranche 1 and Tranche 2) 2023 Convertible Notes rank equally among themselves and will rank ahead of all other notes issued by the Company in 2021 and 2022.
- Effective interest rate ranging between 24.3% – 28.4% varied because of the difference in issuance date.

Notes to the Financial Statements continued

Convertible Note Maturity

All convertible notes have an existing maturity of 31 December 2024. All notes are able to be extended until 30 June 2025 subject to noteholder approval.

Conversion Terms

Under the terms of all convertible note deeds, the convertible notes automatically convert on a pre-determined liquidity event. The pre-determined liquidity events include:

- An initial public offer; or
- A trade sale; or
- A share sale.

Conversion Mechanism

Automatic conversion of all convertible notes occurs on IPO, share sale or trade sale of the company with all notes converting to shares based on the following formula:

$$N = (A + B) / C$$

Where:

N is the number of Shares to be issued by the Company to the Noteholder on Conversion (Conversion Shares);

A is the aggregate amount of the Principal on the Notes held by the Noteholder;

B is the capitalised interest payments plus the Accrued Interest on the Notes held by the Noteholder;

C is the price payable per Share under the applicable Exit Event as follows:

the lower of:

- A. the Pre-IPO Valuation divided by the number of ordinary shares on issue in the Company before any shares are issued under the IPO multiplied by D; and
- B. the Valuation Cap divided by the number of ordinary shares on issue in the Company before any shares are issued under the IPO;

D is 0.75.

All convertible notes are able to be voluntarily converted at the election of noteholders.

Notes to the Financial Statements continued

Financial Instruments: Interest bearing loans and borrowings

The Convertible Notes have been valued with an apportionment between the liability and underlying embedded derivative. The below table reconciles the movements from the start of the period to the end of the period, highlighting the movement between of the values within the period:

	1 July 2023	Cashflow	Effective Interest	Amend-ments	Transaction Costs	Loss/(Gain) on FV	30 June 2024
2021 Convertible Note	5,103,877	–	5,769,056	(4,063,235)	1,193,007	–	8,002,705
2022 Convertible Note	3,449,769	–	3,350,515	(2,255,917)	354,682	–	4,899,049
2023 Convertible Note – Tranche 1	–	4,135,151	959,945	–	(94,180)	–	5,000,917
2023 Convertible Note – Tranche 2	–	4,749,453	314,241	–	(107,967)	–	4,955,728
Total							22,858,398
2021 Embedded Derivative	5,707,499	–	–	4,063,235	–	(5,454,850)	4,315,884
2021 Embedded Derivative	3,651,377	–	–	2,255,917	–	(3,511,106)	2,396,188
2023 Embedded Derivative – Tranche 1	–	1,705,617	–	–	–	21,701	1,727,318
2023 Embedded Derivative – Tranche 2	–	1,409,779	–	–	–	325,226	1,735,005
Total							10,174,395

The value of the embedded derivative for the Company are as follows:

Embedded Derivative	2024	2023
2021 Convertible Note	\$4,315,884	\$5,707,499
2022 Convertible Note	\$2,396,188	\$3,651,377
2023 Convertible Note – Tranche 1	\$1,727,318	–
2023 Convertible Note – Tranche 2	\$1,735,005	–

The following table details the Company's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2024	1 Year or Less \$'000	Between 1 and 2 Years \$'000	Between 2 and 5 Years \$'000	Over 5 Years \$'000	Remaining Contractual Maturities \$'000
Non-derivatives					
2021 Convertible Note	17,912,987	–	–	–	17,912,987
2022 Convertible Note	9,945,331	–	–	–	9,945,331
2023 Convertible Note – Tranche 1	7,259,784	–	–	–	7,259,784
2023 Convertible Note – Tranche 2	7,291,724	–	–	–	7,291,724
Total non-derivatives	42,409,826	–	–	–	42,409,826

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. The Company is currently working towards an exit event prior to maturity.

Notes to the Financial Statements continued

2021 Convertible Note

On 31 December 2023 the Company extended the maturity of all the June 2021 convertible notes for a further 12 months, with an extended maturity option of a further 6 months. The notes were also subordinated to the 2022 and 2023 notes. The note holders received bonus interest of 36.2% as consideration for the extension. This bonus interest was capitalised into the face value of the new notes. There was no cashflow impact on the amendments to the note terms.

The Notes carry a coupon of 12% per annum quarterly in arrears, with interest capitalised on notes until maturity. The notes mature on 31 December 2024 or IPO of the Company, whichever date is earlier. The notes convert into ordinary shares of the Company upon IPO. The Company also has the option to extend the maturity of the notes until 30 June 2025. If the notes are extended to 30 June 2025, the interest rate will increase from 12% per annum to 14% per annum.

The notes are unsecured but rank ahead of ordinary shares in the event of winding up of the Company.

The notes have a conversion mechanism upon conversion to shares which allows for the principle of the notes, as well as the capitalised interest to date of conversion to be converted to shares in accordance with the convertible note deeds. Automatic conversion occurs on IPO, share sale or trade sale of the company with all notes converting to shares based on the formula in the deeds. Shares are to be issued at a discount of 25% to the IPO or sale price, subject to a valuation cap on conversion. All the notes convert based upon the outlined conversion mechanism in the Background section of note 10.

The Company incurred transaction costs associated with the one-off bonus-interest totalling \$4,217,280 to issue the convertible notes and renegotiate terms with the noteholders.

2022 Convertible Notes

On 31 December 2023 the Company extended the maturity of all the December 2022 convertible notes for a further 12 months, with an extended maturity option of a further 6 months. The noteholders received bonus interest of 18.2% as consideration for the extension. This bonus interest was capitalised into the face value of the new notes. There was no cashflow impact on the amendments to the note terms.

The Notes carry a coupon of 12% per annum quarterly in arrears, with interest capitalised on notes until maturity. The notes mature on 31 December 2024 or IPO of the Company, whichever date is earlier. The notes convert into ordinary shares of the Company upon IPO. The Company also has the option to extend the maturity of the notes until 30 June 2025. If the notes are extended to 30 June 2025, the interest rate will increase from 12% per annum to 14% per annum.

The notes are unsecured but rank ahead of ordinary shares in the event of winding up of the Company.

The notes have a conversion mechanism upon conversion to shares which allows for the principle of the notes, as well as the capitalised interest to date of conversion to be converted to shares in accordance with the convertible note deeds. Automatic conversion occurs on IPO, share sale or trade sale of the company with all notes converting to shares based on the formula in the deeds. Shares are to be issued at a discount of 25% to the IPO or sale price, subject to a valuation cap on conversion. All the notes convert based upon the outlined conversion mechanism in the Background section of note 10.

The Company incurred transaction costs totalling \$1,416,001 to issue the convertible notes and renegotiate terms with the noteholders.

2023 Convertible Notes

During 2023, the company issued several tranches of convertible notes. The notes carry a coupon rate of 14%, calculated quarterly in arrears, with all interest capitalised on notes until maturity. The notes mature on 31 December 2024 or IPO of the Company, whichever date is earlier. The notes convert into ordinary shares of the company upon IPO. All the notes convert based upon the outlined conversion mechanism in the Background section of note 10.

The Company also has the option to extend the maturity of the notes until 30 June 2025. If the notes are extended to 30 June 2025, the interest rate will increase from 14% per annum to 16% per annum.

The Company incurred transaction costs totalling \$273,595 to issue the convertible notes.

Notes to the Financial Statements continued

Financial Instruments: Valuation Methodology

The Company has certain financial liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

The Company's convertible notes contain an embedded derivative. This is measured at fair value, with an independent valuer providing a valuation of this instrument as at 30 June 2024. At initial recognition an embedded derivative is recognised on the statement of financial position at fair value and that embedded derivative is subsequently recorded at its fair value thereafter, with changes in fair value going through to the statement of profit or loss and other comprehensive income. The difference between the consideration received (net of costs) and the embedded derivative is reflected in the principal value of the convertible note liability. The underlying debt principal is amortised back to its face value at maturity, net of transaction costs, using the effective interest rate method.

In valuing the embedded derivative of the convertible notes, the Company has applied the Monte Carlo model, using assumed inputs. The Monte Carlo model simulates plausible future share price paths assuming that the share price evolves according to the geometric Brownian motion model. The Monte Carlo simulation is a flexible approach that accommodates the conversion conditions and the maturity conditions directly into the valuation approach. The average conversion discount represents the fair value of the embedded derivative.

The assumed inputs for the Monte Carlo model were as follows:

	31 December 2023	30 June 2024
Probability of IPO:	50%	75%
Share Sale or Trade Sale event	25%	5%
Extended Maturity Date	25%	20%
Share Price	\$8.87	\$8.87
Volatility	65%	65%

The assumed inputs were provided by Directors based on probabilities of each event at the relevant dates.

Fair value measurement of financial instruments

All financial liabilities for which fair value is disclosed are level 3 liabilities on the fair value hierarchy.

Fair Value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the embedded derivative is a level 3 fair value measurement. The fair value of the embedded derivative in the convertible note deed is sensitive to changes in the probability of IPO listing and the timeframe for extension of the convertible notes. These sensitivities are interdependent. A 10% change in the probability of the IPO listing would have a material impact on the fair value of the embedded derivative and in turn the Convertible Notes. These movements in valuation are interdependent.

Notes to the Financial Statements continued

11. Employee Benefits

	2024 \$	2023 \$
Current liabilities		
Provision for employee benefits	359,294	315,440
Non-current liabilities		
Provision for employee benefits	106,226	65,178

12. Issued Capital

	2024 \$	2023 \$
Ordinary Shares – fully paid	5,187,576	4,919,584

a) Ordinary Shares

	2024 No.	2023 No.
At the beginning of the reporting period	2,980,847	2,947,847
Shares issued during the year		
Ordinary Shares	135,151	33,000
At the end of the reporting period	3,115,998	2,980,847

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

13. Contingencies

Contingent Liabilities

Vitrafy Life Sciences Ltd had the following contingent liabilities at the end of the reporting period:

In late 2018, Vitrafy entered into a memorandum of understanding (MOU) with a third party relating to the human health applications of its technology. The MOU contemplated the third party taking an exclusive licence of this aspect of Vitrafy's cryopreservation solution and sublicensing it to an international corporation, with material ongoing licence fees payable to Vitrafy, if such a sublicense could be achieved by the third party.

The MOU had an initial end date of 31 December 2019 and was extended by the third party to 31 December 2020 (with Vitrafy's acknowledgement). In late December 2020, the third party purported to extend the MOU for a further 12 months. In January 2021, Vitrafy formally rejected the third party's purported extension of the MOU, and confirmed in writing that it considered the MOU expired on 31 December 2020 such that Vitrafy was no longer bound by its terms.

After Vitrafy denied that the MOU remained on foot, on 4 October 2021, the third party commenced proceedings against Vitrafy in the Supreme Court of Victoria. The Court granted an application made by Vitrafy to determine, as a separate question, whether the MOU could be extended more than once. Vitrafy was successful on the separate question, and on 25 March 2022, an order was made by the Supreme Court requiring the third party to pay Vitrafy's costs.

Notes to the Financial Statements continued

The third party subsequently filed an application to the Victorian Court of Appeal for leave to appeal from the judgment, which was unsuccessful (with the Court of Appeal making a costs order in Vitrafy's favour). The third party then filed an application to the High Court of Australia for special leave to appeal the Victorian Court of Appeal's decision, which was also dismissed in February 2023 with a costs order in Vitrafy's favour.

The third party has indicated that it still intends intended to pursue a breach of contract claim against Vitrafy for the period that the MOU was on foot, but acknowledged that it would be required to amend its statement of claim to do so. However, the third party took no steps to progress the claim against Vitrafy in the period from February 2023 to August 2024.

Vitrafy's position remains that it has not breached the MOU, and therefore it will vigorously defend any breach of contract claims made by the third party. Vitrafy is also taking steps to enforce the costs orders that have been made against the third party in Vitrafy's favour, and will be seeking security for costs from the third party, which Vitrafy considers should be a "pre-condition" to the third party being permitted to if it does seek to continue the original Supreme Court proceeding.

After the Court on 30 July 2024 listed the proceeding for a directions hearing, the third party provided a draft amended pleading for the first time on 13 August 2024. At the directions hearing, Justice Osborne ordered that Vitrafy is not required to respond to the draft amended pleading, and the third party cannot proceed with its claim, until the costs and security for costs issues raised by Vitrafy have been determined.

14. Income Tax Expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable:

	2024 \$	2023 \$
Loss before tax from continuing operations	(10,425,475)	(7,812,705)
Income tax (benefit)/expense calculated at 25%	(2,606,369)	(1,953,176)
Unused tax losses and tax offset not recognised as deferred tax assets :		
Other non-deductible expenses:		
• R&D expenditure	1,162,543	1,157,084
• Accounting depreciation	28,527	34,634
• Patent expenses capitalised	72,793	70,641
• Trademark – non-deductible	28,848	39,550
• IPO costs capitalised	507,976	236,383
• Convertible note effective interest	1,890,282	923,469
• Total other non-deductible expenses	3,690,969	2,461,760
Other non-assessable income:		
• R&D income	(505,706)	(503,332)
• Gain/(loss) on embedded derivative	(2,154,757)	(1,080,269)
• Total other non-assessable income	(2,660,463)	(1,583,600)
• Other deferred tax assets and tax liabilities not recognised	1,575,863	1,075,016
• Income tax (benefit)/expense reported in the statement of comprehensive income	–	–
• Unused tax affected tax losses for which no deferred tax asset has been recognised	3,569,836	1,985,086

The tax rate used in the above reconciliation is the corporate tax rate of 25% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Notes to the Financial Statements continued

(b) Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account:

Deferred tax assets comprise

	2024 \$	2023 \$
Temporary differences attributable to:	350,203	280,607
• Annual leave provision	89,823	78,860
• Long service leave provision	26,556	16,294
• Unpaid superannuation	8,363	6,941
• Share option reserve	217,288	169,808
• Debtors	8,172	8,704
Permanent differences attributable to:	3,569,836	1,985,086
• Tax losses	3,569,836	1,985,086
Deferred tax liabilities comprise		
Temporary differences – debtors	8,172	8,704
Net deferred tax assets	3,928,211	2,274,397

A deferred tax asset has not been recognised in the financial statements because it is not demonstrably probable that sufficient future taxable income will be available against with the Company can utilise the benefits thereof.

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.

The amount of franking credits available for subsequent reporting periods are:

	2024	2023
Deferred debit balance of franking account at the beginning of the reporting period	5,234,206	3,220,880
Deferred debit that will arise from receipt of the R&D tax offset for the current year	2,022,825	2,013,326
Balance of franking account adjusted for deferred debits arising from past R&D offsets received and expected R&D tax offset received for the current year	7,257,031	5,234,206

15. Cash Flow Information

(a) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net loss to net cash provided by operating activities:

	2024	2023
Loss for the year	(10,425,475)	(7,812,705)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss:		
▪ amortisation	95,340	122,477
▪ depreciation	114,106	138,535
▪ share options	189,921	359,101
▪ convertible notes accrued interest	2,839,482	1,277,650
▪ fair value movements on derivative and convertible notes effective interest	(1,057,901)	(627,198)
▪ capital raise costs (non-cash)	2,031,905	808,594
Changes in assets and liabilities:		
▪ (increase)/decrease in trade and other receivables	(52,165)	(24,286)
▪ (increase)/decrease in prepayments	(376,708)	563,142
▪ (increase)/decrease in R&D tax incentive receivable	(9,499)	(189,877)
▪ increase/(decrease) in trade and other payables	(225,515)	311,355
▪ increase/(decrease) in employee provision	84,902	116,212
Cash flows from operations	(6,791,607)	(4,957,000)

16. Related Parties

(a) The Company's main related parties are as follows:

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Engagement of James Groom's law firm (Groom Kennedy) to act as a corporate legal adviser to the Company on an as required basis.

Engagement of the firm Vaughan Webber was employed by (Bell Potter Securities) to act as a corporate capital raising adviser to the Company on an as required basis. Vaughan resigned from Bell Potter Securities 15 December 2023.

Notes to the Financial Statements continued

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Salary/ Director Fees	Superannuation	Share Based Payments	Related Parties
Non-executive Directors (FY2024)				
Robert Woolley	7,500	–	–	–
James Groom	60,000	–	–	–
John McBain	–	–	60,000	–
Vaughan Webber	65,000	–	–	–
Sonia Petering	100,000	11,000	100,000	–
Non-executive Directors (FY2023)				
Robert Woolley	30,000	–	45,000	–
James Groom	60,000	–	–	–
John McBain	–	–	60,000	–
Vaughan Webber	30,000	–	–	–
Sonia Petering	33,333	3,500	33,333	–
Executive Directors (FY2024)				
Sean Cameron	310,291	34,000	–	–
Brent Owens	319,491	34,000	–	–
Brian Taylor	81,818	9,000	–	–
Executive Directors (FY2023)				
Sean Cameron	313,451	32,455	–	–
Brent Owens	318,051	32,455	–	–
Brian Taylor	81,818	8,591	–	–
KMP related parties				
Paid to Groom Kennedy 2024	–	–	–	174,132
Paid to Bell Potter Securities 2024	–	–	–	74,250
Paid to Groom Kennedy 2023	–	–	–	337,988
Paid to Bell Potter Securities 2023	–	–	–	321,005

(c) Key Management personnel compensation

	2024 \$	2023 \$
Short-term employee benefits	1,579,376	746,653
Post-employment benefits	139,510	77,000
Total	1,718,886	823,653

Notes to the Financial Statements continued

(d) Convertible Notes

The following directors have invested in the Convertible Notes of the company in the following amounts:

		Balance 30 June 2024	Balance 30 June 2023
Sonia Anne Petering	100,000 (Dec 23)	107,883	–
Vaughan Webber	71,000 (June 21)	148,231	97,619
Vaughan Webber	79,000 (Dec 22)	109,601	83,171
James Groom	30,000 (Dec 22)	41,621	31,584
James Groom	50,000 (Dec 23)	53,942	–
John McBain	300,000 (Dec 23)	323,650	–

All Convertible Notes are invested on the same terms as those identified in Note 10 for the relevant note series.

(e) Related Party Loans

In September 2023 the company received loan funds from Directors Groom, Petering, Webber, Cameron, and McBain and also loans from 2 convertible note holders as short-term funding pending receipt of the R&D Tax Incentive and pending capital raising in December 2023. Loans included a 10% interest component which was paid out on repayment of the loans. On 10 November 2023 these loans were repaid in full including interest of \$7,904.

17. Share-based Payments

At 30 June 2024 Vitrafy Life Sciences Ltd has the following share-based payment schemes:

- Employee and Consultant Share Options; and
- Non-Executive Directors Options.

Employee Option Plan (EOP)

A summary of the Company options issued is as follows:

2024 Grant Date	Expiry Date	Exercise price	Start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year
01 February 2019	01 February 2024 ⁸	1.50	252,777	–	135,151	5,000	112,626
01 February 2020	01 February 2025	2.75	76,752	–	–	5,000	71,752
24 June 2022	30 June 2027	20.00	97,261	–	–	1,500	95,761
30 June 2022	31 October 2026	0.01	6,566	–	–	–	6,566
1 January 2023	31 October 2027	0.01	13,337	–	–	–	13,337
1 July 2023	30 June 2028	0.01	–	18,111	–	–	18,111
Total			446,693	18,111	135,151	11,500	318,153

8. Remaining options reconstructed expiry immediately prior to a liquidity event.

Please refer to subsequent events for further information surrounding addition EOP incentive issued post balance date.

Notes to the Financial Statements continued

2024 Director Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
John McBain	6,792	01/07/2023	30/06/2024	30/06/2028	\$0.01	\$8.83
Sonia Petering	11,319	01/07/2023	30/06/2024	30/06/2028	\$0.01	\$8.83

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'.

Options vest based on the provision of service over the vesting period. The Options vest in equal instalments at the end of each calendar quarter during FY24 provided the Option holder or Option holder's associate is still a director of the Company on each relevant Vesting Date.

Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Options for 2019 ESOP were modified to allow an extension of time to exercise from February 2024 to March 2024. Further, the 2019 ESOP for Sean Cameron and Brian Taylor were modified to allow exercise immediately prior to a liquidity event. Brent Owens 2019 ESOP were also modified to a strike price of \$0.00 and were exercised in March 2024.

During the 2024 financial year, the company issued Director options with the terms listed below, there were no EOP's granted for any employees or contractors in 2024.

- Market price of the underlying share: \$7.11.
- Exercise price of the option: \$0.01.
- Expected term of the option: 4 years.
- Risk free interest rate for the duration of the option term: 3%.
- Expected share price volatility over the option term: 80%.

18. Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments. The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- a. Liquidity risk;
- b. Credit risk;
- c. Market risk; and
- d. Taxation risk.

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables;
- Cash at bank;
- Trade and other payables;
- Lease liabilities; and
- Convertible notes.

Financial assets	2024 \$	2023 \$
Held at amortised cost		
Cash and cash equivalents	6,412,662	1,720,864
Trade and other receivables		
Other receivables	71,998	74,115
Total financial assets	6,484,660	1,794,979
Financial liabilities at amortised cost		
Convertible notes – June 2021 extension	8,002,705	5,103,877
Convertible notes – December 2022	4,899,049	3,449,768
Convertible notes – December 2023	5,000,916	–
Convertible notes – December 23 Tranche 2	4,955,728	–
Trade payables (excluding non-financial liabilities)	269,029	441,694
Lease liabilities – current	82,569	94,970
Lease liabilities – non-current	392,357	544,200
Total financial liabilities	23,602,353	9,634,509
Financial liabilities at FVTPL		
Embedded Derivative – June 2021 extension	4,315,884	5,707,499
Embedded Derivative – December 2022	2,396,188	3,651,377
Embedded Derivative – December 2023	1,727,318	–
Embedded Derivative – December 2023 Tranche 2	1,735,005	–
Total financial liabilities	10,174,395	9,358,876

Notes to the Financial Statements continued

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of Vitrafy Life Sciences Ltd's financial risk management framework. This includes the development of policies covering specific areas such as liquidity risk, credit risk, market risk, taxation risk and the use of financial instruments.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Vitrafy Life Sciences Ltd.'s activities.

The day-to-day risk management is carried out by Vitrafy Life Sciences Ltd.'s finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and assessment of market forecasts for interest rates.

The Board of Directors receives regular reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is a risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to raise issued capital.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The table below analyses the group's financial instrument liabilities into relevant maturity groupings based on their contractual maturities.

2024	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
Convertible note	42,409,826	–	–	–	42,409,826
Trade and other payables	403,779	–	–	–	403,779
Lease liabilities	106,072	108,676	192,390	175,157	582,295
Total non-derivatives	42,919,677	108,676	192,390	175,157	43,395,900

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instrument liabilities

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

Notes to the Financial Statements continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises from cash and cash equivalents.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk is immaterial.

Taxation risk

The Company activities are significantly exposed to research and development expenses. Due to the activities the Company is involved in, it submits annually research and development tax incentive claims. The incentive amounts received are the main source of revenue streams for the Company. There is risk of audit from the Australian Tax Office and an adverse finding would affect cashflow reserves of the Company.

19. Auditors' Remuneration

Remuneration of the auditor	2024 \$	2023 \$
GRANT THORNTON AUDIT PTY LTD, for:		
• auditing or reviewing the financial statements	104,442	88,900
• other non-audit services	–	–
Total	104,442	88,900

20. Loss per share

Both the basic and diluted loss per share have been calculated using the loss for the year. The reconciliation of the weighted average number of shares for the purpose of diluted loss per share to the weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	2024 \$	2023 \$
Loss after income tax	10,425,475	7,812,705

	2024 No.	2023 No.
Weighted average number of ordinary shares for the purpose of basic loss per share	3,067,765	2,949,113
Weighted average number of ordinary shares for the purpose of diluted loss per share	3,067,765	2,949,113

21. Events Occurring After the Reporting Date

The financial report was authorised for issue on 23 August 2024 by the Board of Directors.

Post reporting date, the Company is aware of the following events relevant to the financial position of the Company:

- On 1 July 2024, the Company issued 1,189,700 options to key executive and management personnel under the Employee Option Plan. These options have a strike price of \$7.11 and incorporate a series of vesting conditions based upon performance and time key performance indicators.
- On 11 July 2024, the Company registered its cryopreservation freezing device as a Class II medical device with the Food and Drug Administration (FDA) for use within specific nominated biological materials.
- On 23 July 2024, Mr. Simon Martin commenced in his role as Chief Financial Officer.
- On 5 August 2024, Dr. David Goad commenced in his role as Chief Technology Officer.
- On 30 July 2024, the Supreme Court of Victoria listed the El Zain proceeding for a directions hearing, El Zain's legal representative provided a draft amended pleading for the first time on 13 August 2024. At the directions hearing held on 16 August 2024, Justice Osborne ordered that Vitrafy is not required to respond to the draft amended pleading, and El Zain cannot proceed with its claim, until the costs and security for costs issues raised by Vitrafy have been determined. Please refer to note 13 – Contingent Liability for further information.

22. Statutory Information

The registered office of the company is:

Vitrafy Life Sciences Ltd
Level 1, 47 Sandy Bay Road
Hobart, Tasmania 7000

The principal place of business is:

45 Selkirk Drive
Wendouree, Victoria 3355

23. Comparative Period

Where necessary, the comparative period information has been reclassified for consistency with current period disclosures.

In the prior period, \$3,693,875 was disclosed as convertible note effective interest however this has been reclassified to be included within finance costs to ensure presentation is in line with the applicable accounting standards and is consistent with current period disclosures. \$2,484,524 relating to R&D employee salaries has been reclassified from administrative expenses to research and development expenses to ensure correct classification by nature.

A total of \$50,432 that was previously disclosed as distribution costs, marketing expenses and occupancy costs has also been reclassified to be included within other expenses to ensure only material balances are included on the face of the statement of profit or loss and other comprehensive income.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

For the Year Ended 30 June 2024

Entity Name	Entity type	Body corporates Place formed or incorporated	Body corporates % of share capital held	Tax residency Australia or foreign	Tax residency Foreign jurisdiction
Vitrafy Life Sciences Limited	Body Corporate	Australia	N.A.	Australia	N.A.
Vitrafy Life Sciences, Inc	Body Corporate	United States	100%	Foreign	United States

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes required information for each entity that was part of the consolidated entity as at the end of the financial year.

Consolidated entity

This CEDS includes only those entities consolidated as at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements* (AASB 10). Determination of Tax Residency Section 295 (3A) of the *Corporations Act 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with. For the period, the Vitrafy Life Sciences, Inc entity was dormant.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes for the year ended 30 June 2024 are in accordance with the *Corporations Act 2001* the Accounting Standards, the Corporations Regulations 2001 and other professional mandatory reporting requirements; and:
 - a. comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 of the financial statements;
 - b. give a true and fair view of the financial position and performance of the Company; and
 - c. the attached consolidated entity disclosure statement is true and correct as at 30 June 2024.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



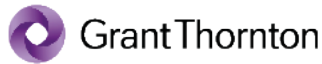
Sonia Petering
Chair of Vitrafy Life Sciences
Dated this 23 August 2024



Vaughan Webber
Non-Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Vitrafy Life Sciences Ltd



Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Independent Auditor's Report

To the Members of Vitrafy Life Sciences Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Vitrafy Life Sciences Ltd (the Company), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

- a giving a true and fair view of the Company's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- b 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.

Material uncertainty related to going concern

We draw attention to Note 2(q), in the financial statements, which indicates that the Company incurred loss of \$10,425,475 during the year ended 30 June 2024 and reported a deficiency in net assets at 30 June 2024 of \$24,601,089. As stated in Note 2(q) these events or conditions, along with other matters as set forth in Note 2(q), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report continued

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included 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 accordingly 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.

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 (other than the consolidated entity disclosure statement); 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; and
- 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 have 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance
Melbourne, 23 August 2024

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CORPORATE DIRECTORY

Directors

Ms. Sonia Petering – Independent Non-Executive Chair

Mr. James Groom – Non-Executive Director

Associate Professor John McBain –
Independent Non-Executive Director

Mr. Vaughan Webber – Non-Executive Director

Mr. Brenton Owens – Executive Director

Mr. Brian Taylor – Executive Director

Mr. Sean Cameron – Executive Director

Chief Financial Officer

Mr. Simon Martin

Chief Executive Officer

Ms. Kathryn Munnings

Interim Company Secretary

Mr. Tim Sharpe

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