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THERAPEUTICS

Annual Report

For the year ended 30 June 2022

Arovella Therapeutics Limited
ABN 35 090 987 250

Arovella is the only ASX-listed company working with an iNKT cell therapy platform and the only company worldwide with CAR technology targeting a DKK1 peptide

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Corporate Directory

Directors	Dr. Elizabeth Stoner (appointed 10 November 2021) Non-Executive Interim Chairperson Mr. David Simmonds Non-Executive Director Dr. Michael Baker CEO and Managing Director Dr. Debora Barton (appointed 10 August 2021) Non-Executive Director Mr. Gary Phillips (appointed 1 July 2022) Non-Executive Director
Secretary	Mr. Phillip Hains
Registered office	Level 3, 62 Lygon Street Carlton VIC 3053 Telephone: 03 9824 5254
Share registry	Automic Pty Ltd Level 35, 477 Collins Street Melbourne VIC 3000 1300 288 664
Auditor	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street Perth WA 6000
Bankers	National Australia Bank 330 Collins Street Melbourne VIC 3000
Stock exchange listing	Australian Securities Exchange Ltd Exchange Plaza 2 The Esplanade Perth WA 6000
Listing codes	Ordinary shares ALA Options ALAOE (expired 31 July 2022)
Website	www.arovella.com

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Letter from the Interim Chairperson

Dear Shareholders,

On behalf of the board, I am pleased to present my review of Arovella's activities for the financial year ended 30 June 2022. I would also like to take this opportunity to thank our existing and new shareholders for their support over the past 12 months and for their continued support through the Placement and Share Purchase Plan at the beginning of the calendar year.

The year started on the back of a transformative acquisition for the Company, in-licensing a novel invariant Natural Killer T (iNKT) cell therapy platform from Imperial College London. Since that time, we entered into a Collaborative Research Agreement (CRA) with Imperial College London, specifically with the laboratory of the inventor of the platform Professor Tassos Karadimitris. In addition, we added another string to our bow, in-licensing a novel DKK1-peptide targeting technology from MD Anderson Cancer Center. The expectation is that we will be able to combine this with our iNKT cell therapy platform.

Cell therapies have revolutionised the way we think about cancer treatment with several reports this year describing that cancer patients have been cancer free for 10 years following their treatment. The platform from Imperial College London focuses on the use of a very specific immune cell type, iNKT cells, and at Arovella we believe that the iNKT cell therapy platform has a number of differentiating factors that, once developed, could see its widespread adoption for cancer treatment.

For our lead product, ALA-101, we made significant progress, selecting our lentivirus manufacturer and Q-Gen as the final cell therapy manufacturer. Work is continuing at both centres to produce material of suitable quality for clinical trials. For ALA-104, we are continuing to work towards generating pre-clinical data prior to developing the manufacturing strategy. ALA-104 is being developed initially for blood cancers but has the potential to treat solid tumours.

We dedicated a significant amount of effort to building a purpose-driven Board and management group. In addition, we also constructed a new Scientific Advisory Board to assist with the development of the cell therapy platform. Over the year, we appointed Dr Sandhya Buchanan as our VP of Manufacturing and Quality and Dr Mini Bharathan as our VP of Development of Translational Medicine for the iNKT cell therapy platform. Both are very well credentialled and have spent more than a decade working on cell therapies. At the Board level we appointed Dr Debora Barton and Gary Phillips as non-executive directors. Both have excellent track records in drug development. In addition, I was pleased to join the board toward the end of 2021, and I am delighted to have accepted the role as interim Chairperson.

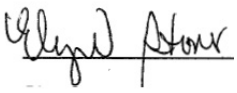
We also unveiled the new corporate branding of Arovella Therapeutics. Our focus is on helping people live longer and healthier lives, and we believe that our new name and branding better reflect this message. We look forward to delivering on that promise.

We also made significant progress for our most advanced oral spray product, ZolpiMist, which has been developed for the treatment of short-term insomnia. We partnered with STADA Australia and successfully launched the product into the Australian market.

The Company is currently well capitalised thanks to the support of our existing and new investors, raising $6.57 million dollars over the course of the year. The Placement and the SPP were oversubscribed, and we would like to thank all our investors and welcome those that joined Arovella's register. We were particularly pleased to have Merchant Group join the register, a biotechnology investor with a successful track record.

The year has provided excitement and challenges. Your Board shares our shareholders' frustration generated by the suppressed share price. Nevertheless, we are as committed as ever to positioning the Company in a way that better reflects the value of our unique platform.

I would like to thank all our stakeholders for their continued support over what we believe has been a transformative year for the Company. We are looking forward to an exciting year ahead.



Elizabeth Stoner
Interim Chairperson

28 September 2022

> We believe that the iNKT cell therapy platform has a number of differentiating factors that, once developed, could see its widespread adoption for cancer treatment

Review of Operations and Activities

Arovella Therapeutics Limited is pleased to announce its financial results for the year ended 30 June 2022.

Highlights

- Entered into a collaborative research agreement with Imperial College London subsequent to entering into a global, exclusive licence to a novel invariant natural Killer T (iNKT) cell platform from Imperial College London
- Acquired the licence to a novel DKK1-targeting technology from MD Anderson Cancer Center
- Appointed Dr Sandhya Buchanan as VP Manufacturing and Quality and Dr Mini Bharathan as VP Development and Translational Medicine for the invariant natural killer T (iNKT) cell therapy platform
- Selected the lentivirus manufacturer and the cell therapy manufacturer to produce ALA-101
- Assembled a world class scientific advisory board to support the iNKT cell development
- Dr Debora Barton, Dr Elizabeth Stoner and Mr Gary Phillips appointed to the board of directors
- ZolpiMist - Entered into a Licence and Supply agreement with STADA Australia and launched the product; ZolpiMist received regulatory approval in Chile

Review and results of operations

The revenue for the financial year ended 30 June 2022 was $295,810 (2021: $257,347). The loss for the year was $8,620,588 (2021: $5,047,465).

The Company's net assets decreased from $8,981,683 to $7,616,982 at 30 June 2022 with cash reserves of $6,070,967 (2021: $6,717,198).

The significant events during the 2021-22 financial year were:

(i) Entered into a Collaborative Research Agreement (CRA) with Imperial College London

On 18 June 2021, Arovella announced that it has entered into a Licence Agreement for the invariant Natural Killer T (iNKT) cell therapy platform developed in the laboratory of Professor Karadimitris at Imperial College London. In preclinical studies, the iNKT cell therapy platform outperforms conventional cell therapies at initial clearance of tumour cells and promoting long-term mouse survival. Another major feature of the iNKT cell therapy platform is that it will be developed to be used off-the-shelf, as iNKT cells do not cause common side effects that confine other cell therapies to using a patient's own cells for their cancer treatment.

Under the CRA, Arovella will fund ongoing research in the laboratory of Professor Karadimitris, which will focus on creating additional intellectual property for the technology. The initial focus of the platform is for the treatment of blood cancers and the research is expected to enable Arovella to optimise the therapy and to expand into additional cancers of unmet need, creating additional intellectual property for the platform. The research agreement is for a period of two years and is extendable by mutual agreement from each party.

(ii) Assembled a world class scientific advisory board to support the iNKT cell development

In conjunction with the research agreement with Imperial College London, Arovella appointed Professor Anastasios Karadimitris, through Imperial Consultants, as Chairman of its Scientific Advisory Board (SAB) for the iNKT cell therapy program.

In addition, Arovella appointed Dr Reuben Benjamin and Dr John Maher to its Scientific Advisory Board for the iNKT cell therapy platform.

(ii) Assembled a world class scientific advisory board to support the iNKT cell development (continued)

Dr Benjamin is an internationally recognised expert in the field of cellular immunotherapies for the treatment of blood cancer. At King's College London, UK, Dr Benjamin leads the plasma cell disorder service and CAR-T cell programme. He is also a Consultant Haematologist and Honorary Senior Lecturer with an interest in multiple myeloma, stem cell transplantation and cell therapy. Dr Benjamin has an active research group at King's College London focusing on allogeneic CAR-T cells for lymphoid malignancies as well as in studying the biology of extramedullary myeloma. Dr Benjamin was the Chief Investigator of the CALM clinical trial, the first allogeneic (off-the-shelf) CAR-T cell study for relapsed adult B-cell acute lymphoblastic leukemia (B-ALL) and he was the lead author for the research paper published in Lancet in December 2020. Dr Benjamin is actively involved in offering CAR-T cell therapy for myeloma and lymphoma.

Dr Maher is an internationally recognised clinical immunologist, focused on the development of chimeric antigen receptor (CAR) cell therapies. Dr Maher played a key role in the early development of second-generation CAR technology while a visiting fellow at Memorial Sloan Kettering Cancer Center in the US, an approach that has achieved clinical impact in haematological malignancies and forms the basis for the six FDA approved CAR-T cell therapies. In 2004, Dr Maher established CAR-T cell research at King's College London, where he leads the "CAR Mechanics" group, which is focused on the development of adoptive immunotherapy using CAR engineered and gamma delta T cells. Dr Maher is also a clinically active consultant immunologist within King's Health Partners and Eastbourne Hospital. Dr Maher is the scientific founder and Chief Scientific Officer of Leucid Bio, a clinical stage cell therapy company with a pipeline of novel CAR-T cell therapies developed using its proprietary engine.

(iii) Arovella acquired the licence to a novel DKK1-targeting technology from MD Anderson Cancer Center

Arovella entered into a global, exclusive licence agreement with The University of Texas MD Anderson Cancer Center for the patent rights to a novel monoclonal antibody (mAb) developed for cancer treatment.

This is the first mAb directed against a DKK1 peptide found together with HLA-A2 on the surface of cancer cells (DKK1). DKK1 is a target that is found in many cancer types, including blood cancers and solid tumours and 40-50% of the population is HLA-A2 positive, meaning that this technology may be applicable across a wide spectrum of cancers that affect a significant proportion of the population.

Higher levels of DKK1 in cancer patients may serve as a prognostic biomarker for cancers such as Multiple Myeloma, Head and Neck Squamous Cell Carcinoma (HNSCC), Pancreatic Adenocarcinoma (PAAD), and Lung Squamous Cell Carcinoma (LUSC). Higher DKK1 production has been observed in bladder cancer and increased production of DKK1 may assist Non-small Cell Lung Carcinoma (NSCLC) cell invasion and migration. It has also been suggested that increased DKK1 levels may cause resistance to chemotherapy in cancers such as ovarian cancer.

Numerous studies have shown that multiple myeloma cells overproduce DKK1. Studies in animal models demonstrate that the DKK1-targeting technology is an excellent candidate for the treatment of multiple myeloma. It is also documented that multiple myeloma cells produce CD1d, which is recognised by invariant Natural Killer T (iNKT) cells, the core of Arovella's iNKT cell therapy platform. Arovella expects that by combining the DKK1-CAR with its iNKT cell therapy platform, it will lead to a more effective product to treat multiple myeloma and potentially other cancers. To date, the DKK1 mAb has shown promise in treating multiple myeloma when used as a single agent in mouse models. In addition, the DKK1-CAR-T successfully eliminates cancer in preclinical solid tumour models including pancreatic cancer, lung cancer and triple negative breast cancer.

More than a decade of work has gone into the production and testing of the DKK1 mAb. Professor Qing Yi, now at Houston Methodist, developed the technology during his time at MD Anderson as a tenured Professor of Medicine. At Houston Methodist, Professor Yi has continued the research, assessing the potential of the DKK1-CAR. Professor Yi was recruited to Houston Methodist in 2018 through a US$6m Cancer Prevention and Research Institute of Texas (CPRIT) award.

(iv) Arovella appointed Dr Sandhya Buchanan as VP of Manufacturing and Quality Dr Mini Bharathan as the VP of Development and Translational Medicine for the invariant natural killer T (iNKT) cell therapy platform

Arovella appointed of Dr Sandhya Buchanan as its VP of Manufacturing and Quality for its iNKT cell therapy platform. Dr Buchanan's role will encompass leading the technology transfer, manufacturing, and quality aspects for production of the cell therapy for clinical development stages. Dr Buchanan joined Arovella from Atara Biotherapeutics, a biotechnology company pioneering off-the-shelf cell therapies for treating cancer and autoimmune disease.

During her time at Atara Biotherapeutics, Dr Buchanan served as the chemistry manufacturing and control technical lead for autologous CAR-T programs and head of Viral Vector Development; managing both internal and external collaborations. Prior to Atara Biotherapeutics, Dr Buchanan held senior roles at Torque Therapeutics (now Repertoire Immune Medicines), FujiFilm Diosynth Biotechnologies, Penn Medicine, a world-renowned academic medical center in Philadelphia, and Novartis.

Dr Buchanan has more than 20 years' experience working in cell & gene therapy and vaccine development. Dr Buchanan has a PhD in Pharmaceutical Sciences from the University of Colorado Health Sciences Center and has co-authored a number of peer reviewed scientific articles and patents.

Arovella also appointed Dr Mini Bharathan as its VP of Development and Translational Medicine for its iNKT cell therapy platform. Dr Bharathan's role will encompass leading the nonclinical studies for its CD19 and DKK1 targeting products, to advance each therapy into clinical studies.

Dr Bharathan joins Arovella from Cellectis, a biotechnology company that is using its pioneering gene-editing platform to develop allogenic therapies, which entails collecting the starting material for the cell therapy from a healthy donor as opposed to the patient suffering from the cancer.

During her time at Cellectis, Dr Bharathan served as the Director of Translational Medicine and Clinical Development where she coordinated the development programs for key products, recommended patient stratification and biomarker strategies and oversaw the development and validation of novel clinical stage assay methodologies, patient selection markers and biomarkers for multiple global allogenic CAR-T clinical trials. Dr Bharathan also held senior roles at Celgene, Celularity and Immatics, all focused on the development of cell therapies.

Dr Bharathan has more than 15 years' experience in the field of immunology with more than 12 years focused on the development of cell therapies. Dr Bharathan is a Doctor of Veterinary Medicine and holds a PhD in immunology from Virginia Tech where she was the recipient of the Sigma Xi Outstanding Ph.D. Research Award. Dr Bharathan has co-authored numerous research articles and patents.

(v) Arovella selected the plasmid, lentivirus and cell therapy manufacturer to produce ALA-101

During the period, Arovella screened numerous contract manufacturing organisations (CMOs) to produce two important components to produce the therapy, plasmid DNA and lentiviral vector. The CMO was selected and they initiated work during January 2022, which is continuing.

Arovella agreed the commercial terms for the initial Manufacturing Services Agreement for its first investigative CAR19-iNKT cell therapy candidate (ALA-101) with Q-Gen Cell Therapeutics (Q-Gen), the cell therapy manufacturing arm of the QIMR Berghofer Medical Research Institute (QIMR Berghofer). Streamlining manufacturing is a critical step to initiate clinical trials for Arovella's lead product, ALA-101 to treat CD19-producing leukemias and lymphomas.

Q-Gen is at the forefront of manufacturing immunotherapies and cell therapies. Established in 2002 to support clinical translation and discoveries by the Institute's researchers, the facility now manufactures for academic and biopharmaceutical partners nationally and internationally. Q-Gen is accredited by Australia's Therapeutic Goods Administration as a Good Manufacturing Practice (GMP) facility. The facility can produce cellular immunotherapies for patients in Australia, Asia, the United States and Europe. Q-Gen has successfully produced autologous and allogenic cell therapy products for clinical trials.

The Services Agreement is anticipated to be followed by a proposed Master Manufacturing Services Agreement. The proposed Services Agreement allowed Arovella to begin to work with Q-Gen to manufacture the product for clinical trials. IP created under the services agreement will vest with Arovella, unless created solely by QIMR Berghofer, who will retain such IP.

(vi) Appointed Dr Debora Barton, Dr Elizabeth Stoner and Mr Gary Phillips to the board of directors

Over the course of the year and following the acquisition of the cell therapy platform, Arovella appointed Dr Debora Barton, MD, Dr Elizabeth Stoner and Mr Gary Phillips as independent Non-Executive Directors. Also, during the year, Dr Stoner assumed the role as interim Chairperson, upon Mr Paul Hopper stepping down from his role as Non-Executive Chairman. The Company is continuing its search for a replacement.

Dr Debora Barton

Dr Barton has over 20 years' experience in the field of oncology. After practicing oncology as a physician and clinical trial investigator, she spent five years at Novartis and five years at Celgene in roles of increasing responsibilities in Medical Affairs and Clinical Development. Dr Barton has extensive experience working with cell therapy products, formerly as the Senior Vice President, Clinical and Head of Safety, of the clinical stage company, Iovance, who are developing T cell therapies for cancer treatment and formerly as Chief Medical Officer of Carisma Therapeutics, who are developing CAR-Macrophage therapies. Dr Barton is currently the Chief Medical Officer of TScan Therapeutics, a clinical stage biopharmaceutical company, developing life-changing T cell therapies for patients by unleashing the untapped potential of the human immune system.

Dr Barton is a member of the Manhattan Board of Directors for the American Cancer Society and is also a member of the Medical Advisory Board of the Tigerlily Foundation, a national breast cancer foundation providing education, awareness, advocacy and hands-on support to young women before, during and after breast cancer.

Dr Elizabeth Stoner

Dr Stoner, based in Boston, has over 30 years' experience in the life-sciences sector, spanning early-stage research, drug development and venture investing. She is currently Executive Partner at MPM Capital, a leading US healthcare investment firm, with over two decades of experience founding and investing in life-sciences companies that seek to translate scientific innovations into cures for major diseases. In her role, Dr Stoner serves as a clinical advisor to several of MPM Capital's portfolio companies, including AlloVir, and Rhythm Pharmaceuticals. Additionally, Dr Stoner served as the interim CEO of the cell therapy biotechnology company, Semma Therapeutics, which was acquired by Vertex in 2019 for US$950 million.

Prior to joining MPM Capital, Dr Stoner was Senior Vice President of Global Clinical Development Operations at Merck Research Laboratories where she was responsible for its clinical development activities in more than 40 countries. While at Merck, she also oversaw the clinical development activities of its Japanese subsidiary and played a leading role in Merck/Schering Plough Joint Venture's development of Vytorin and Zetia, blockbuster cholesterol lowering drugs. Previously, she led the 5-alpha reductase clinical development program, establishing Merck as a leader in the field of prostate disease.

Dr Stoner currently serves on the board of Triplett Therapeutics. She is also a member of the Albert Einstein College of Medicine Board of Governors, and the Weill Cornell Medical College Clinical and Translational Science Center External Advisory Board.

Dr Stoner received her M.D. from the Albert Einstein College of Medicine and prior to joining the biopharma industry, she was an Assistant Professor of Paediatrics at Cornell University Medical College.

Mr Gary Phillips

Mr Phillips has more than 30 years of operational management experience in the pharmaceutical and healthcare industry in Europe, Asia and Australia. He is currently the CEO and Managing Director of the ASX-listed company, Pharmaxis (ASX:PXS). Following his appointment as Pharmaxis CEO, Mr Phillips has overseen a company restructure focused on building value, forging new partnerships, and fostering the development of the Pharmaxis product pipeline.

Prior to joining Pharmaxis, he was the CEO at Ciba Geigy in Hungary (Merged to form Novartis in 1996) where he led the successful launch of a portfolio of new products. Mr Phillips was Novartis' area manager covering nine countries across Asia Pacific before joining Novartis Australia as Group Company Head and Chief Executive Officer of its Pharmaceutical Division, successfully launching leading oncology and ophthalmology products.

Mr Phillips holds a Bachelor of Pharmacy Honours degree from Nottingham University in the U.K. and an MBA from Henley Management College, UK. Mr Phillips is also a Graduate of the Australian Institute of Company Directors (GAICD).

(vii) ZolpiMist - Entered into a Licence and Supply Agreement with STADA Australia and launched the product; ZolpiMist received regulatory approval in Chile

STADA Australia partnership and commercial launch

Arovella entered into an exclusive License and Distribution Agreement for ZolpiMist (zolpidem tartrate, a product indicated for the short-term treatment of insomnia in adults) in Australia with STADA Pharmaceuticals Australia Pty Ltd, a member of the global, German-based STADA Group. Arovella obtained approval from the Therapeutic Goods Administration (TGA) for ZolpiMist as announced 29 July 2020 and continues to work closely with its other licensee, Teva. Arovella will submit a further application to the TGA for a modification to the current spray unit, incorporating in the application a more economical, elegant, and user-friendly child resistant lock (CRL). It is anticipated that the new CRL will be implemented from the second batch of product produced for STADA onward.

Key terms of the Agreement:

- The Agreement is a perpetual, exclusive Licence for ZolpiMist® for Australia;
- STADA has the option to distribute the product in New Zealand;
- Arovella recieved an upfront fee of $170,000 and are entitled to a milestone payment of $40,000;
- The milestone payment is linked to the approval of the enhanced CRL;
- Arovella will receive a 10% royalty based on net sales of the enhanced product;
- Arovella to manufacture and supply the product at agreed supply prices;
- STADA is responsible for commercialisation of the product in Australia;
- The agreement is subject to standard termination clauses.

STADA expected sales to commence in Q3 CY2022. It was pleasing that STADA Australia initiated its commercial launch for ZolpiMist earlier than expected, in Q2 CY2022. STADA also has an option to commercialise the product throughout New Zealand and is considering expanding its footprint across additional territories.

ZolpiMist approval in Chile

The Ministry of Health, Chile, approved the registration of ZolpiMist by Teva Pharmaceuticals for the treatment of short-term insomnia in adults.

Teva Pharmaceuticals submitted a Marketing Authorisation Application (MAA) with the new supplemental API supplier and the Australian final product manufacturer to the Chilean authority for ZolpiMist in May 2021. Approval was granted significantly sooner than the expected date of April 2022.

The benefits of the Chile approval are:

- ZolpiMist can be commercialised and supplied within Chile;
- It demonstrates compliance with international Good Manufacturing Practice and an ability to obtain regulatory approvals with partners.

(viii) Additional OroMist Updates

Received notice from the United States Patent Office that the anagrelide patent would proceed to grant

The US Patent and Trademark Office (USPTO) accepted Arovella's patent application covering anagrelide and the patent will proceed to grant.

The USPTO will grant Arovella's Application No. 15/538,326 titled "Use of Anagrelide for Treating Cancer". The patent has an expiry of December 2035 and it adds to the granted patents in Europe, Japan and Australia.

Anagrelide is being developed for the treatment of metastatic disease in patients who have certain solid tumour cancers. Clinical experience has shown that increased platelet numbers associated with several solid tumour cancers decreases progression-free life expectancy. Anagrelide not only advantageously lowers blood platelets, but it has also been shown to inhibit cancer cell movement towards platelet-producing cells, megakaryocytes, principally found in the bone marrow but also the lung, two likely sites of metastases.

Arovella is actively seeking to find co-development partners to fund ongoing research or to out-licence the anagrelide intellectual property to entities focused on development of cancer therapies, where increased platelets play a role in the progression of the disease. This includes a number of cancer types, including melanoma, mesothelioma, ovarian, vulvar, cervical, renal cell, lung, glioblastoma, pancreatic, endometrial and colorectal cancer.

MTPK termination for ZolpiMist

Mitsubishi Tanabe Pharma Korea (MTPK) indicated its intention not to proceed with the License and Supply Agreement for ZolpiMist. MTPK cited challenges with its regulatory body, the Ministry of Food and Drug Safety (MFDS). Arovella agreed to terminate the Agreement and the Company notes that there is no immediate financial impact as a result of the termination. Arovella will continue to focus on its partnership with TEVA, and look to secure additional partners for the ASEAN region and other territories.

Strides Termination Sumatriptan

Strides Pharma Global Pte Ltd (Strides) indicated its intention to cease the Development, Licence and Supply Agreement (Agreement), citing a change in market conditions, which have made the project unviable from their perspective as their primary reason to cease the Agreement. Arovella agreed to terminate the Agreement under the relevant provisions contained in the Agreement and the Company notes that was no cost impact to Arovella or immediate impact on revenue streams.

In conjunction with the termination, Arovella reviewed the operations of the business and restructured the reformulation group to match the reduced requirements for reformulation project work.

(ix) Completion of $6.57m capital raising

Arovella completed a Placement, raising funds from institutional and sophisticated investors for a $4.57 million Placement of 120,230,220 new fully paid ordinary shares (New Shares) in the Company at a price of $0.038 per share (Placement). The price of the Placement was set at a 2.5% discount to the last traded market price.

The Placement received very strong support from institutional and sophisticated investors and includes cornerstone participation by specialist life sciences institutional investor, Merchant who subscribed for $3 million of the Placement. The Placement was followed by a Share Purchase Plan (SPP) for eligible existing shareholders at the same offer price as the Placement. The SPP was closed early due to high demand, raising an additional $2 million.

Funds raised in the Placement and SPP are being used to progress development of the Company's iNKT cell therapy platform and DKK1-peptide targeting monoclonal antibody licensed from the world-renowned MD Anderson Cancer Center.

Directors' Report

Your Directors present their report together with the financial statements of Arovella Therapeutics Limited ("Arovella" or "Company") for the financial year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are as follows.

Directors were in office for this entire period unless otherwise stated.

- Dr. Elizabeth Stoner, Non-Executive Interim Chairperson (appointed as Non-Executive Director on 10 November 2021, transitioned to Interim Chairperson on 1 July 2022)
- Mr. David Simmonds, Non-Executive Director
- Dr. Michael Baker, CEO and Managing Director
- Dr. Debora Barton, Non-Executive Director (appointed 10 August 2021)
- Mr. Gary Phillips, Non-Executive Director (appointed 1 July 2022)
- Mr. Paul Hopper, Non-Executive Chairman (resigned 30 June 2022)
- Mr. David Phillips, Executive Director (resigned 14 January 2022)

Information on directors

The following information is current as at the date of this report.

Dr Elizabeth Stoner - Non-Executive Interim Chairperson

Appointed to the Board	10 November 2021
Qualifications	M.D. from Albert Einstein College of Medicine, M.S. in chemistry from SUNY at Stony Brook, B.S in chemistry from Ottawa University KS
Experience and expertise	Dr. Stoner has over 30 years' experience in the life-science sector. She is currently an executive partner at MPM Capital, a leading US healthcare investment firm. In her role, Dr Stoner serves as a clinical advisor to several of MPM Capital's portfolio companies, including AlloVir, and Rhythm Pharmaceuticals. Additionally, Dr Stoner served as the interim CEO of Semma Therapeutics. Prior to joining MPM Capital, Dr Stoner was a Senior Vice President of Global Clinical Development Operations at Merck Research Laboratories where she was responsible for its clinical development activities in more than 40 countries. Dr Stoner currently serves on the board of Triplett Therapeutics. She is also a member of the Albert Einstein College of Medicine Board of Governors, and the Weill Cornell Medical College Clinical and Translational Science Centre External Advisory Board.
Interest in shares & options	263,157 ordinary shares and 2,400,000 options over ordinary shares
Other current directorships	None
Former directorships in last 3 years	None

Information on directors (continued)

Mr David Simmonds - Non-Executive Director

Appointed to the Board	27 March 2019
Qualifications	Bachelor of Economics, Associate Member of the Chartered Accountants Australia and New Zealand
Experience and expertise	David was a senior audit partner with Ernst & Young from 1989 to 2017. From 2008 to 2013, David led the Capital Markets desk in Australia with responsibility for overseeing or reviewing all Australian cross border fundraisings. As an audit partner, David was involved in several high-profile businesses including Ramsay Health Care Ltd, John Fairfax Holdings and Commonwealth Bank of Australia and also was audit partner for the Australian operations of the leading US technology companies Hewlett Packard, Sun Microsystems and Oracle. David was a member of the Board and chaired the Audit, Risk and Finance Committee of MS Research Australia, the largest national not-for-profit body dedicated to funding and coordinating multiple sclerosis research in Australia.
Interest in shares & options	513,157 ordinary shares
Other current directorships	None
Former directorships in last 3 years	None

Dr Michael Baker - CEO and Managing Director

Appointed to the Board	1 July 2020
Qualifications	Ph.D. Biochemistry, Master of Business Administration
Experience and expertise	Dr Baker has over 15 years of experience in scientific research, drug development and venture investing. He was an Investment Manager with leading Australian life science fund, BioScience Managers, responsible for deal sourcing form networks, conferences, universities, and research institutes. He also conducted due diligence to shortlist investment opportunities and played an active role in managing portfolio companies.
Interest in shares & options	2,256,140 ordinary shares and 10,800,000 options over ordinary shares
Other current directorships	Non-Executive director of Radiopharm Theranostics Limited (ASX: RAD)
Former directorships in last 3 years	None

Information on directors (continued)

Dr Debora Barton - Non-Executive Director

Appointed to the Board	10 August 2021
Qualifications	MD, Board Certified Medical Oncologist
Experience and expertise	Dr Barton has over 20 years of oncology experience, which includes 9 years of clinical management of oncology patients and enrolling patients in clinical trials in academia. In the pharmaceutical industry, she has experience in medical affairs and clinical development, including regulatory interactions in the USA, Europe, Australia, and several countries around the world. She has accomplished an innovative oncology product submission and subsequent marketing authorisation in the US and Europe, and has built innovative clinical development plans coupled with clinical/safety teams' infrastructure in small biotech.
Interest in shares & options	263,157 ordinary shares and 2,400,000 options over ordinary shares
Other current directorships	None
Former directorships in last 3 years	None

Mr Gary Phillips - Non-Executive Director

Appointed to the Board	1 July 2022
Qualifications	Bachelor of Pharmacy (Hons), Master of Business Administration, Graduate of the Australian Institute of Company Directors.
Experience and expertise	Mr Phillips has more than 40 years of operational management experience in the pharmaceutical and healthcare industry in Europe, Asia and Australia. After managing country operations for Novartis in Eastern Europe and Asia, Gary came to Australia as CEO of Novartis in 2001, successfully launching leading oncology and ophthalmology products. He joined Pharmaxis in December 2003 when the company listed on the Australian Securities Exchange. Following his appointment as Pharmaxis CEO in 2013, Gary has overseen a company restructure focused on building value, forging commercial partnerships and fostering the development of the Pharmaxis product pipeline. Pharmaxis has commercial partnerships in place with Pharma companies for drugs in asthma and cystic fibrosis, and a pipeline with clinical stage assets in oncology, fibrosis and inflammation.
Interest in shares & options	Nil
Other current directorships	CEO & Managing Director of Pharmaxis Ltd (ASX: PXS)
Former directorships in last 3 years	None

Company secretary

Mr Phillip Hains was appointed as company secretary on 1 July 2020. Mr Hains is a Chartered Accountant operating a specialist public practice, The CFO Solution. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 30 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT University and a Public Practice Certificate from the Chartered Accountants Australia and New Zealand.

Principal activities

The principal activity of the Company during the year was pharmaceutical development invariant Natural Killer T (iNKT) cell platform for cancer treatment and its oral spray delivery technology to treat cancer and conditions that affect the central nervous system.

Review of operations

Information on the operations and financial position of the Company and its business strategies and prospects is set out in the review of operations and activities on pages 7 to 12 of this annual report.

Significant changes in the state of affairs

There were no significant change in the state of affairs the Company during the reporting period, other than as set out in this report.

Events since the end of the financial year

The following occurred after the Balance Date:

- On 1 July 2022, Mr Gary Phillips was appointed as a Non-Executive Director of the Company.
- 47,317,484 free-attaching options, each with an exercise price of $0.05, which were issued as part of a capital raising initiative expired on 31 July 2022.

  Prior to expiry, 85,204 options were exercised into ordinary shares on a 1:1 basis by option holders.
- On 15 September 2022, 2,500,000 unlisted options were issued to an external consultant. The options are exercisable at $0.069 each, expiring on 14 September 2025.
- On 20 September 2022, 930,378 ordinary shares were issued at $0.024 each.
- On 26 September 2022, Arovella entered into a collaboration with Imugene Limited (ASX: IMU) to test Arovella's iNKT cell therapy and Imugene's onCARlytics platform to explore potential in solid tumours.

No other matters or circumstances have arisen since June 30, 2022 that have significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The likely developments in the Company's operations, to the extent that such matters can be commented upon, are covered within the review of operations and activities on pages 7 to 12 of this annual report.

Environmental regulation

The Company is currently not subject to any significant environmental legislation.

Dividends - Arovella Therapeutics Limited

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Meetings of directors

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' meetings		Risk & Audit Committee		HR & Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Mr. Paul Hopper	14	14	2	2	2	2	3	3
Mr. David Phillips	7	7	1	1	1	1	2	2
Mr. David Simmonds	14	14	2	2	2	2	3	3
Dr. Michael Baker	14	14	2	2	2	2	3	3
Dr. Debora Barton	13	13	2	2	-	-	-	-
Dr. Elizabeth Stoner	9	9	1	1	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Remuneration report (audited)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Arovella Therapeutics Limited (the "Company") for the financial year ended 30 June 2022. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Company, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

(a) Key management personnel covered in this report

Directors

Dr. Elizabeth Stoner	Non-Executive Interim Chairperson (appointed as Non-Executive Director 10 November 2021, transition to Interim Chairperson on 1 July 2022)
Mr. David Simmonds	Non-Executive Director
Dr. Michael Baker	CEO and Managing Director
Dr. Debora Barton	Non-Executive Director (appointed 10 August 2021)
Mr. Paul Hopper	Non-Executive Chairman (resigned 30 June 2022)
Mr. David Phillips	Executive Director (resigned 14 January 2022)

(b) Remuneration philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

(c) HR & Remuneration Committee

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

(d) Remuneration structure

The HR & Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the executive team.

The HR & Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

(e) Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The methods implemented are discussed below.

	2022	2021	2020	2019	2018
Revenue	295,810	257,347	532,690	1,219,083	425,864
Net loss	(8,620,588)	(5,047,465)	(9,935,595)	(7,795,039)	(5,459,278)
Share price at year-end	0.023	0.057	0.031	0.003	0.008
Market capitalisation ($ mil)	15.41	27.41	4.41	10.67	9.89

(f) Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company may offer options to Non-Executive Directors as part of their remuneration package.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 16 December 2021 when shareholders approved an aggregate remuneration of $500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a director of the Company.

(g) Senior management and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

(i) Fixed annual remuneration (FR)

Fixed remuneration is reviewed annually by the HR & Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration component of the key management personnel is detailed in the table on page 21.

(ii) Variable Remuneration

The Directors considered that it was desirable to establish various employee incentive plans, in order to:

- reward employees of the Company;
- assist in the retention and motivation of employees of the Company; and
- provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

Accordingly, on 26 September 2017, and as ratified at the Annual General Meeting held on 28 November 2017, the Directors adopted the following:

(a) Employee Share Option Plan (Option Plan) under which Directors, executives, consultants and other employees may be offered the opportunity to be granted Options (Executive Long Term Incentive Plan);

(b) Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares.

The plans are designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company's success. Under the current circumstances the Directors consider that the incentive plans are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as increased cash-based remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The plans are designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

The maximum number of proposed ESOP securities was passed in the Extraordinary General Meeting held on 14 October 2021 for 30,000,000 securities within a three-year period from 14 October 2021.

(iii) Short-term incentives

The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentive available is set at a level to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met.

(g) Senior management and executive director remuneration (continued)

(iv) Long-term incentives

Aspect	Plan Rules, Offers and Comments
LTI offer	Options were offered under the Plan during the financial year within the relevant policies and Plan rules.
Eligible participants	Executive directors, non-executive directors, senior management and consultants are eligible for the LTI.
Performance conditions for executive directors	The performance conditions are linked to continuous employment.
Performance conditions for non-executive directors	The Directors are of the opinion that the performance conditions of Options should be linked continuous employment.
Terms of options	Each Option will be granted to eligible employees under the Option Plan for nil consideration. The exercise price and other terms of an Option shall be determined by the Board in its discretion.
Vesting	The Options will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
Cashless exercise facility	Participants may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise (Cashless Exercise Facility). By using the Cashless Exercise Facility, the participant will receive Shares to the value of the surplus after the exercise price has been set off.
Disposal restrictions	A participant may not transfer an Option granted under the Option Plan without the prior consent of the Board.

The aggregate of annual payments available for executives across the Company is subject to the approval of the HR & Remuneration Committee.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

(h) Employment Contracts

The details of the Directors' employment contracts are:

Directors	Period of notice
Paul Hopper	Nil
David Phillips	1 month
David Simmonds	Nil
Michael Baker	3 months
Debora Barton	Nil
Elizabeth Stoner	Nil

(i) Remuneration of KMP

	Short-term employee benefits		Post-employment benefits		Share-based payments	
	Cash salary and fees	Non-monetary benefits	Super-annuation	Long service leave*	Equity	Total
2022	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Elizabeth Stoner	36,735	-	-	-	26,541	**63,276**
David Simmonds	40,000	-	4,000	-	-	**44,000**
Michael Baker[4]	302,500	16,111	35,000	3,280	247,460	**604,351**
Debora Barton	45,893	-	-	-	26,120	**72,013**
Paul Hopper[1]	80,000	-	-	-	63,784	**143,784**
David Phillips[2,3]	71,667	-	2,167	-	-	**73,834**
Total key management personnel compensation	**576,795**	**16,111**	**41,167**	**3,280**	**363,905**	**1,001,258**

1. *Mr Paul Hopper resigned on 30 June 2022.*
2. *Mr David Phillips resigned on 14 January 2022.*
3. *In 2022 David Phillips received $21,667 in director fees and $50,000 for consulting services in relation to his role as VP Business Development.*
4. *Michael Baker was entitled to a bonus payable in equity, subject to shareholder approval, of $60,300 at 30 June 2022.*

	Short-term employee benefits		Post- employment benefits		
	Cash salary and fees	Bonus	Super-annuation	Options	Total
2021	**$**	**$**	**$**	**$**	**$**
Directors					
Paul Hopper	80,000	-	-	8,508	**88,508**
David Simmonds	40,000	-	3,800	-	**43,800**
David Phillips[1]	190,000	-	3,800	-	**193,800**
Michael Baker[2]	275,000	75,000	26,125	26,637	**402,762**
Other Key Management and Personnel					
Carol Worth[4]	148,780	-	9,530	-	**158,310**
Joseph Ohayon[3]	96,830	20,000	4,420	-	**121,250**
Total key management personnel compensation	**830,610**	**95,000**	**47,675**	**35,145**	**1,008,430**

1. *In 2021 David Phillips received $40,000 in director fees and $150,000 for consulting services in relation to his role as VP Business Development.*
2. *Dr Michael Baker appointed as Managing Director effective 1 July 2020. He was entitled to $75,000 bonus payable as at 30 June 2021 and was paid in September 2021.*
3. *During the year, Joseph Ohayon was paid a cash bonus of $20,000. Upon his resignation on 25 September 2020, his pay includes pay-out of his accrued leave entitlements*
4. *Dr Carol Worth resigned on 15 January 2021. Upon her resignation, her pay includes pay-out of her accrued leave entitlements.*

(i) Remuneration of KMP (continued)

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense above:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
Name	%	%	%	%	%	%
Directors						
Elizabeth Stoner	58	-	-	-	42	-
David Simmonds	100	100	-	-	-	-
Michael Baker	59	75	-	18	41	7
Debora Barton	64	-	-	-	36	-
Paul Hopper	56	90	-	-	44	10
David Phillips	100	100	-	-	-	-

(j) Terms and conditions of the share-based payment arrangements Options

The terms and conditions of each grant of options affecting remuneration of KMP in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Expiry price ($)	No. of options	Value per options at grant date ($)	Notes
2020-01-02	2020-06-30	2024-01-01	0.0858	1,200,000	0.0389	
2020-01-02	2021-06-30	2024-01-01	0.0917	800,000	0.0388	
2020-01-02	2022-06-30	2024-01-01	0.0976	800,000	0.0387	
2021-10-14	2021-11-11	2025-10-13	0.0750	2,000,000	0.0373	
2021-10-14	2022-11-11	2025-10-13	0.0750	2,000,000	0.0373	
2021-10-14	2023-11-11	2025-10-13	0.0750	4,000,000	0.0373	
2021-12-16	2021-12-16	2025-12-15	0.0750	2,000,000	0.0319	
2021-12-16	2022-12-16	2025-12-15	0.0750	2,000,000	0.0319	Note (i)
2021-12-16	2023-12-16	2025-12-15	0.0750	2,000,000	0.0319	Note (i)
2021-12-16	2022-12-16	2025-12-15	0.0520	800,000	0.0332	
2021-12-16	2023-12-16	2025-12-15	0.0520	800,000	0.0332	
2021-12-16	2024-12-16	2025-12-15	0.0520	800,000	0.0332	
2021-12-16	2022-12-16	2025-12-15	0.0440	800,000	0.0337	
2021-12-16	2023-12-16	2025-12-15	0.0440	800,000	0.0337	
2021-12-16	2024-12-16	2025-12-15	0.0440	800,000	0.0337	
				23,200,000		

Note (i): Options have been forfeited.

(k) Shareholdings of Key Management Personnel

2022	Balance at the start of the year[1]	Granted as remuneration	On Exercise of Options or conversion of convertible note	Other changes[2]	Balance at the end of the year[3]
Elizabeth Stoner (appointed 10 November 2021)	-	-	-	263,157	263,157
David Simmonds	250,000	-	-	263,157	513,157
Michael Baker	816,667	-	-	1,439,473	2,256,140
Debora Barton (appointed 10 August 2021)	-	-	-	263,157	263,157
Paul Hopper (resigned 30 June 2022)	1,350,225	-	-	4,894,734	6,244,959
David Phillips (resigned 14 January 2022)	138,889	-	-	-	138,889
Total	**2,555,781**	**-**	**-**	**7,123,678**	**9,679,459**

1. *Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.*
2. *Other changes incorporates changes resulting from the purchase through market or participation in placement approved by shareholders.*
3. *For former KMP, the balance is as at the date they cease being KMP.*

2021	Balance at the start of the year	Granted as remuneration	On Exercise of Options or conversion of convertible note	Other changes	Balance at the end of the year
David Simmonds	-	-	-	250,000	250,000
Michael Baker (appointed 2 January 2020)	-	-	-	816,667	816,667
Paul Hopper	280,000	-	-	1,070,225	1,350,225
David Phillips	-	-	-	138,889	138,889
Carol Worth (resigned 15 January 2021)	3,200	-	-	(3,200)	-
Joseph Ohayon (resigned 18 August 2020)	237,267	-	-	(237,267)	-
Total	**520,467**	**-**	**-**	**2,035,314**	**2,555,781**

(I) Option holdings of Key Management Personnel

2022	Balance at start of the year[1]	Granted as compensation	Exercised	Other changes[2]	Balance at end of the year[3]	Vested and exercisable
Elizabeth Stoner (appointed 10 November 2021)	-	2,400,000	-	-	2,400,000	-
David Simmonds	-	-	-	-	-	-
Michael Baker	2,800,000	8,000,000	-	-	10,800,000	4,800,000
Debora Barton (appointed 10 August 2021)	-	2,400,000	-	-	2,400,000	-
Paul Hopper (resigned 30 June 2022)[4]	1,693,334	6,000,000	-	-	7,693,334	3,693,334
David Phillips (resigned 14 January 2022)	-	-	-	-	-	-
Total	**4,493,334**	**18,800,000**	**-**	**-**	**23,293,334**	**8,493,334**

1. *Balance may include options held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.*
2. *Other changes incorporates changes resulting from the expiration/forfeiture of options.*
3. *For former KMP, the balance is as at the date they cease being KMP.*
4. *4,000,000 options granted to Paul Hopper were subsequently forfeited upon his resignation on 30 June 2022. Further, 1,600,000 options granted to Paul Hopper expired on 14 May 2022. These were only removed from his holdings post year end and therefore included in balance at end of year.*

2021	Balance at start of the year	Granted as compensation	Exercised	Other changes[2]	Balance at end of the year	Vested and exercisable
Paul Hopper	1,600,000	-	-	93,334	1,693,334	1,693,334
David Simmonds	-	-	-	-	-	-
David Phillips (resigned 23 September 2019)	-	-	-	-	-	-
Michael Baker[1] (appointed 2 January 2020)	2,800,000	-	-	-	2,800,000	2,000,000
Carol Worth	800	-	-	(800)	-	-
Joseph Ohayon	268,633	-	-	(268,633)	-	-
Total	**4,669,433**	**-**	**-**	**(176,099)**	**4,493,334**	**3,693,334**

1. *Dr Michael Baker was appointed CEO on 2 January 2020. He was assigned 2,800,000 one-off unlisted 4-year options on the commencement date of employment. Options were issued subject to the terms and conditions of the Company's Employee Share Option Plan (ESOP).*
2. *Other changes include the consolidation of share capital and options on a one (1) for twenty-five (25) basis which was approved by shareholders at the Annual General Meeting held on 12 November 2019. It also includes those that have been purchased through market and those that ceased to be Key Management Personnel.*

(m) Transactions and balances with Key Management Personnel

	2022 $	2021 $
Mr David Phillips - consulting fees payable[1]	-	11,000
Dr Michael Baker - bonus payable[2]	60,300	75,000
	60,300	**86,000**

1. There were no consulting fees payable to Mr David Phillips at 30 June 2022 (2021: paid in July 2021).
2. Bonus payable to Dr Michael Baker is to be paid via issuance of equity subject to shareholder approval (2021: paid in September 2021).

[This concludes the remuneration report, which has been audited]

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

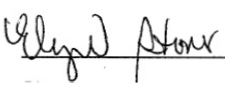
Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on the following page and forms part of this directors' report for the year ended 30 June 2022.

This report is made in accordance with a resolution of Directors.



Dr. Elizabeth Stoner
Director

28 September 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Arovella Therapeutics Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 September 2022

L Di Giallonardo
Partner

Corporate Governance Statement

Arovella and the Board of Directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Company's main corporate governance practices and Corporate Governance Statement can be found on the Company's website, www.arovella.com under the About Us section. All these practices, unless otherwise stated, were in place for the entire year and comply with ASX Corporate Governance Principles and Recommendations and are contained in the Appendix 4G for the year ended 30 June 2022.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 $	2021 $
Revenue from contracts with customers	1(b)	295,810	257,347
Cost of sales		(207,056)	(222,750)
Gross profit		**88,754**	**34,597**
Other income	1(c)(ii)	-	906,670
Interest income	1(c)(i)	3,845	6,542
Depreciation and amortisation expense	1(c)(iii)	(551,488)	(652,176)
Employee benefits expenses		(1,322,038)	(1,306,230)
Finance costs	1(c)(iv)	(194,720)	(33,294)
Impairment of intangible assets	10	(833,271)	(1,239,467)
Other expenses	1(c)(v)	(3,215,555)	(2,056,308)
Research cost		(2,596,115)	(707,799)
Loss before income tax		**(8,620,588)**	**(5,047,465)**
Loss before income tax from continuing operations		**(8,620,588)**	**(5,047,465)**
Income tax expense	2	-	-
Loss for the year		**(8,620,588)**	**(5,047,465)**
Other comprehensive income			
Total comprehensive loss for the year		**(8,620,588)**	**(5,047,465)**

		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	4(b)	(1.57)	(1.52)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	6,070,967	6,717,198
Trade and other receivables	6	36,290	533,637
Other current assets	7	480,339	92,309
Total current assets		**6,587,596**	**7,343,144**
Non-current assets			
Property, plant and equipment	8	266,061	380,903
Right-of-use assets	9	105,412	52,037
Intangible assets	10	2,253,271	2,911,206
Total non-current assets		**2,624,744**	**3,344,146**
Total assets		**9,212,340**	**10,687,290**
LIABILITIES			
Current liabilities			
Trade and other payables	11	815,525	1,226,899
Contract liabilities	1(b)	341,684	200,000
Provisions	12	284,045	191,565
Borrowings	13	1,122	5,721
Lease liabilities	9	66,228	70,772
Total current liabilities		**1,508,604**	**1,694,957**
Non-current liabilities			
Provisions	12	9,300	7,908
Borrowings	13	-	2,742
Lease liabilities	9	77,454	-
Total non-current liabilities		**86,754**	**10,650**
Total liabilities		**1,595,358**	**1,705,607**
Net assets		**7,616,982**	**8,981,683**
EQUITY			
Issued capital	14	83,536,397	77,003,347
Reserves		1,105,098	450,686
Accumulated losses		(77,024,513)	(68,472,350)
Total equity		**7,616,982**	**8,981,683**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year Ended 30 June 2021

	Attributable to owners of Arovella Therapeutics Limited				
	Issued capital	**Accumulated losses**	**Share-based payment reserve**	**Minority interest acquisition reserve**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2020	**67,385,981**	**(64,880,540)**	**225,712**	**1,404,267**	**4,135,420**
Loss for the year	-	(5,047,465)	-	-	(5,047,465)
Total comprehensive loss for the period	**-**	**(5,047,465)**	**-**	**-**	**(5,047,465)**
Shares issued during the period	10,580,879	-	-	-	10,580,879
Share issue costs	(963,513)	-	-	-	(963,513)
Issue of options to broker	-	-	239,025	-	239,025
Options lapsed during the period	-	51,388	(51,388)	-	-
Equity settled share-based payments	-	-	37,337	-	37,337
Reclassification of reserve to accumulated losses	-	1,404,267	-	(1,404,267)	-
Balance at 30 June 2021	**77,003,347**	**(68,472,350)**	**450,686**	**-**	**8,981,683**

	Issued capital	**Accumulated losses**	**Share-based payment reserve**	**Minority interest acquisition reserve**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2021	**77,003,347**	**(68,472,350)**	**450,686**	**-**	**8,981,683**
Loss for the year	-	(8,620,588)	-	-	(8,620,588)
Total comprehensive loss for the year	**-**	**(8,620,588)**	**-**	**-**	**(8,620,588)**
Shares issued during the year	7,183,790	-	-	-	7,183,790
Share issue costs	(650,740)	-	-	-	(650,740)
Issue of options to employees	-	-	291,189	-	291,189
Issue of options to consultants	-	-	211,382	-	211,382
Issue of options to broker	-	-	141,160	-	141,160
Options lapsed during the period	-	68,425	(68,425)	-	-
Equity settled share-based payments	-	-	79,106	-	79,106
Balance at 30 June 2022	**83,536,397**	**(77,024,513)**	**1,105,098**	**-**	**7,616,982**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		437,494	124,345
Payments to suppliers and employees		(7,048,845)	(4,756,985)
Interest paid		(15,259)	(25,869)
Government grants and tax incentives		524,042	1,115,540
Interest received		3,845	5,866
Finance costs		(169,522)	(7,425)
Net cash (outflow) from operating activities	**5(b)**	**(6,268,245)**	**(3,544,528)**
Cash flows from investing activities			
Payments for property, plant and equipment		(35,026)	(166,107)
Payments for intangible assets		(530,972)	(348,447)
Net cash (outflow) from investing activities		**(565,998)**	**(514,554)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		6,256,211	9,856,391
Principal elements of lease payments		(68,199)	(57,583)
Net cash inflow from financing activities		**6,188,012**	**9,798,808**
Net (decrease)/ increase in cash and cash equivalents		**(646,231)**	**5,739,726**
Cash and cash equivalents at the beginning of the financial year		6,717,198	977,472
Cash and cash equivalents at the end of the financial year	**5(a)**	**6,070,967**	**6,717,198**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Contents of the Notes to the Financial Statements

Notes to the Consolidated Financial Statements

1 Revenue and expenses

(a) Accounting policy

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

- Step 1: Identify contract with a customer;
- Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations;
- Step 5: Recognise revenue as the performance obligations are satisfied

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed, so "point in time" recognition or "over time" as control of the performance obligation is transferred to the customer.

For contacts with multiple components to be delivered such as research and development, clinical trials and regulatory submissions, management applies judgement to consider whether those promised goods and services are:

(i) distinct - to be accounted for as separate performance obligations;

(ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or

(iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Transaction price

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where the Company recognises revenue over time for long term contracts, this is in general due to the Company performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

1 Revenue and expenses (continued)

(a) Accounting policy (continued)

For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Company has promised to transfer to the customer. The Company applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Company recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Company often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the overtime criteria, the Company recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers by contract type, which includes:

(i) licence and supply agreements; and,

(ii) research and development income as management believe this best depicts the nature, amount, timing and uncertainty of the Company's revenue and cash flows.

Performance obligations

The nature of contracts or performance obligations categorised within this revenue type includes:

(i) licence and supply agreements; and,

(ii) research and development income.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Company considers that the services provided meet the definition of a series of distinct goods and services as they are:

(iii) Substantially the same and

(iv) Have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., monthly or annual services)) and therefore treats the series as one performance obligation.

(v) Signing of licence and supply agreements and research and development agreements. Revenues are recognised upon signing the agreements.

(vi) Submission of regulatory applications and/or approvals by agreement partners. Revenues are recognised on submission of regulatory applications by agreement partners.

(vii) Product sales by agreement partners. Revenues in form of royalties are recognised on product sales by agreement partners.

(viii) Completion of contract phases within research and development agreements. Revenues are recognised upon completion of contract phases within research and development agreements.

(ix) Undertaking research and development studies and project management. Revenues are recognised as research and development studies are performed and project managed.

1 Revenue and expenses (continued)

(a) Accounting policy (continued)

Contract assets and contract liabilities

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

As a result the contracts which the Company enters into with its customers, a number of different assets and liabilities are recognised on the Company's balance sheet. These include but are not limited to: Trade receivable; Accrued income; and Deferred income. There has been no change in the accounting policies for these assets as a result of the adoption of AASB 15.

(b) Revenue from contracts with customers

	2022 $	2021 $
Sales revenue from contracts with customers		
License and supply agreements and research and development projects	**295,810**	**257,347**

The Company derives its revenue from the sale of goods and the provision at services at a point in time and over time in the following major categories: (i) licence and supply agreements; and, (ii) research and development income. The Company has a balance of contract liabilities of $341,684 for the year ended 30 June 2022 (2021: $200,000).

	2022 $	2021 $
At a point in time		
Licence and supply agreements	295,810	124,345
Over time		
Research and development income	-	133,002
Total revenue	**295,810**	**257,347**

1 Revenue and expenses (continued)

(c) Other Income and Expenses

(i) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

	2022 $	2021 $
Interest income	**3,845**	**6,542**

(ii) Other income

In 2022, the Company recognised no income from Export Market Development Grant (EMDG) (2021: 100,000) in other income. This is a key Australian Government financial assistance program for aspiring current exporters.

In 2022, no Covid-19 assistance was received. In 2021, Covid-19 assistance comprises of $37,500 "Cashflow boost for employers" measure announced as part of the Australian Government's economic stimulus package of March 2020 as well as Job keeper received of $136,800.

	2022 $	Restated 2021 $
R&D Tax Incentive*	-	632,370
COVID-19 assistance grant	-	174,300
Export Market Development Grants (EMDG)	-	100,000
	-	**906,670**

*R&D tax incentive - 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. Amounts are recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount can be reliably measured. For the year ended 30 June 2022, the Company has not recognised any R&D tax incentive as the Company has applied for an Advance Overseas Findings for its cell therapy projects. Subsequent to the lodgement of the preliminary final report, the Company received the assessment report from AusIndustry and it is in the process of finalising the R&D tax incentive amount.

(iii) Depreciation and amortisation

	2022 $	2021 $
Depreciation	135,614	140,482
Depreciation charge of right-of-use assets	60,238	62,698
Amortisation	355,636	448,996
	551,488	**652,176**

1 Revenue and expenses (continued)

(c) Other Income and Expenses

(iv) Finance income and costs

	2022 $	2021 $
Finance costs*	169,522	7,425
Interest expense	25,198	25,869
	194,720	**33,294**

* *Finance cost in 2022 includes the interest expense paid and payable to HC Berlin Pharma (HCBP) of $169,462.*

(v) Other expenses

	2022 $	2021 $
Other expenses		
Write-off of inventories	-	21,801
Share-based payment expense	581,676	37,337
Legal fees	120,285	59,126
Professional fees	444,597	444,321
Patent and trademark costs	382,888	281,612
General and administrative	889,438	583,915
Investor relation costs	277,341	211,913
Audit and accounting fees	252,685	266,456
Insurances	188,316	143,959
Travel costs	78,329	5,868
Total other expenses	**3,215,555**	**2,056,308**

2 Income tax expense

(a) Accounting policy

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows 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 are classified as operating cash flows.

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

2 Income tax expense (continued)

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

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2022 $	2021 $
Loss from continuing operations before income tax expense	(8,620,588)	(5,047,465)
Tax at the Australian tax rate of 25% (2021 - 26%)	(2,155,147)	(1,312,341)
Expenditure not allowed for income tax purposes	147,655	(159,068)
Research & Development Expenditure	-	313,221
Deferred Tax Asset(Liability) movement not brought to account	279,915	259,584
Deferred Tax Asset losses not brought to account	1,727,577	898,604
Income tax expense	**-**	**-**

The tax rate used in the above reconciliation is the corporate tax rate of 25% (2021: 26%) payable by Australian corporate entities on taxable profits under Australian tax law.

(c) Amounts recognised directly in equity

	2022 $	2021 $
Unrecognised deferred tax balances of Australian income tax:		
Unrecognised deferred tax asset – revenue losses	11,841,890	11,131,464
Unrecognised deferred tax asset – capital losses	1,553,943	1,709,337
Unrecognised deferred tax asset – other	3,588,700	3,359,696
Unrecognised deferred tax equity	260,595	245,700
Unrecognised deferred tax liabilities	(230,521)	(290,119)
Net unrecognised deferred tax asset	**17,014,607**	**16,156,078**

3 Segment reporting

(a) Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of Arovella. The Company has identified one reportable segment, that was development of invariant Natural Killer T (iNKT) cell platform for cancer treatment and its oral spray delivery technology to treat cancer and conditions that affect the central nervous system.

4 Loss per share

(a) Accounting policy

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(b) Basic/diluted loss per share

	2022 Cents	2021 Cents
Basic and diluted loss per share	(1.57)	(1.52)

(c) Reconciliation of losses used in calculating loss per share

The losses and weighted average number of ordinary shares used in the calculation of basic loss per share and diluted loss per share is as follows:

	2022 $	2021 $
Loss for the year		
From continuing operations	**(8,620,588)**	**(5,047,465)**

Weighted average number of shares used as the denominator

	2022 Number	2021 Number
Weighted average number of ordinary shares for the purpose of basic/diluted loss per share	**549,623,838**	**330,893,281**

On the basis of the Company's losses, the outstanding options issued are considered to be anti-dilutive and therefore were excluded from the weighted average number of ordinary shares calculation when calculating the diluted loss per share.

5 Cash and cash equivalents

(a) Accounting policy

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	2022 $	2021 $
Cash and cash equivalents	**6,070,967**	**6,717,198**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one to three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

(b) Reconciliation to the Statement of Cash Flow

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Notes	2022 $	2021 $
Loss for the year			
Adjustments for non-cash items:		(8,620,588)	(5,047,465)
Impairment of intangible assets	10	833,271	1,239,467
Inventory write down		-	21,801
Share-based payments		581,676	37,337
Lease nominal payment		(68,199)	(57,583)
Property, plant and equipment written off		14,254	9,278
Other non-cash expenses		67,755	31,745
Other non-cash expenses in lieu of cash		418,000	-
AASB 16 lease interest		25,198	25,869
Depreciation		195,852	203,180
Amortisation		355,636	448,996
Change in operating assets and liabilities:			
Movement in trade receivables		497,347	335,531
Movement in trade and other payables		(269,690)	(453,240)
Movement in other provisions		89,273	126,672
Movement in other current assets		(388,030)	73,894
Movement in legal settlement provision		-	(540,010)
Net cash outflow from operating activities		**(6,268,245)**	**(3,544,528)**

6 Trade and other receivables

(a) Accounting policy

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is an expectation that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

	2022 $	2021 $
Trade receivables[1]	36,290	9,595
R&D incentive receivable[2]	-	524,042
	36,290	**533,637**

1. *The average credit period on sales of goods and rendering of services is 60 days. All amounts are short term except when conditional on other party achieving a milestone. The carrying value of trade receivables is considered a reasonable approximation of fair value.*
2. *Refer to Note 1(c) for explanation.*

	2022 $	2021 $
Ageing of past due but not impaired		
30 - 60 days	36,290	-
90 - 120 days	-	-
120 days +	-	9,595
Total	**36,290**	**9,595**

6 Trade and other receivables (continued)

(b) Expected credit losses

The Company applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers and to the credit worthiness of the customer.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2022 and 30 June 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The Company has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangements amongst others is considered indicators of no reasonable expectation of recovery.

7 Other current assets

(a) Accounting policy

Accrued income

All income shall be invoiced and recorded when the service and/or materials have been provided. All income shall be recorded as accrued income if payment is expected within the next year.

If circumstances should dictate that the payment will not be received for a period greater than 12 months, such income shall be segregated and treated as a non-current receivable for recording and reporting purposes.

Prepayments

Prepayments are cash paid amounts that represent costs incurred from which a service or benefit is expected to be derived in the future.

The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. When the period arrives to which a prepaid cost relates the costs will be treated as a period cost for the period in question. Normally such prepaid costs will be written off based on the elapse of time.

Prepayments should be classified as current assets unless a portion of the prepayment covers a period longer than 12-months. If they are prepayment costs with a benefit beyond 12-months, they should be classified as deferred charges in the Statement of Financial Position.

	2022 $	2021 $
Accrued income	13	676
Prepayments	480,326	91,633
	480,339	**92,309**

8 Property, plant and equipment

(a) Accounting policy

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	3 - 5 years
Plant and equipment	2 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

8 Property, plant and equipment (continued)

Non-current	Plant and equipment $	Total $
At 30 June 2021		
Cost or fair value	1,186,004	1,186,004
Accumulated depreciation	(805,101)	(805,101)
Net book amount	**380,903**	**380,903**
Year ended 30 June 2021		
Opening net book amount	364,587	364,587
Additions	166,124	166,124
Disposals	(9,326)	(9,326)
Depreciation charge	(140,482)	(140,482)
Closing carrying value	**380,903**	**380,903**
At 30 June 2022		
Cost or fair value	1,068,386	1,068,386
Accumulated depreciation	(802,325)	(802,325)
Net book amount	**266,061**	**266,061**
Year ended 30 June 2022		
Opening net book amount	380,903	380,903
Additions	35,026	35,026
Depreciation charge	(135,614)	(135,614)
Written off	(14,254)	(14,254)
Closing carrying value	**266,061**	**266,061**

9 Leases

(a) Accounting policy

The Company recognises a right-of-use asset and a corresponding liability at the date on which a lease asset is available for use by the Company (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Company uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase options, if the Company is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Company. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Company to restore the underlying asset, or the Company has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Company has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

9 Leases (continued)

(b) Amounts recognised in the Statement of financial position

The Statement of financial position shows the following amounts relating to leases:

	2022 $	2021 $
Right-of-use assets		
Properties	**105,412**	**52,037**

	2022 $	2021 $
Lease liabilities		
Current	66,228	70,772
Non-current	77,454	-
	143,682	**70,772**

Additions to the right-of-use assets during the current financial year were $95,323 (2021: $57,691).

(c) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022 $	2021 $
Depreciation charge of right-of-use assets	**60,238**	**62,698**

	2022 $	2021 $
Interest expense	**25,198**	**25,869**

The total cash outflow for leases in 2022 was $68,199 (2021: $57,583).

10 Intangible assets

(a) Accounting policy

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives when available for use. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Capitalisation of internally developed project development

Distinguishing the research and development phases of a new project development and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets other than goodwill

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

10 Intangible assets (continued)

(a) Accounting policy (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

	Patents $	Development Costs $	Total $
Year ended 30 June 2021			
Opening carrying value	**132,358**	**4,118,864**	**4,251,222**
Additions	-	348,447	348,447
Impairment	-	(1,239,467)	(1,239,467)
Amortisation	-	(448,996)	(448,996)
Closing carrying value	**132,358**	**2,778,848**	**2,911,206**

Year ended 30 June 2022			
Opening carrying value	132,358	2,778,848	2,911,206
Additions	-	530,972	530,972
Impairment	-	(833,271)	(833,271)
Amortisation	-	(355,636)	(355,636)
Closing carrying value	**132,358**	**2,120,913**	**2,253,271**

In the current year, the Company has decided not to commit further resources into the Sumatriptan project as the co-development opportunity with Strides was terminated. The carrying value of the Sumatriptan project at reporting date has been fully impaired resulting in an impairment expense of $833,271 recognised in the statement of profit or loss and other comprehensive loss.

11 Trade and other payables

(a) Accounting policy

Trade payables and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

	2022 $	2021 $
Current		
Trade payables[1]	751,909	227,459
Payroll tax and other statutory liabilities	-	4,412
Sundry payables and accrued expenses	63,616	472,876
Legal settlement[2]	-	522,152
	815,525	**1,226,899**

1. *Trade payables are non-interest bearing and are normally settled on 30-45 day terms and include superannuation and PAYG.*
2. *Arovella entered into a settlement agreement with the receiver for HC Berlin Pharma (HCBP) in 2018. As of 30 June 2022, Arovella has paid €330,000 as the final settlement (2021: second payment made of €250,000), the final interest payable of $121,676 is included in trade payables.*

12 Provisions

(a) Accounting policy

Provisions provided to employees in respect of performance pay, annual leave and long service leave expected to be settled within 12 months of the balance date are recognised in current employee benefits provisions in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the provisions are settled.

Provisions provided to employees in respect of long service leave not expected to be settled within 12 months of the balance date are recognised in non-current employee benefits provisions in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Company.

Current employee benefits provisions	2022 $	2021 $
Performance pay provision	181,943	105,845
Provision for annual leave	86,655	74,808
Long service leave provision	15,447	10,912
	284,045	**191,565**

Non-current employee benefits provision	2022 $	2021 $
Long service leave provision	**9,300**	**7,908**

13 Borrowings

(a) Accounting policy

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Leases

See Note 9 (a) for the Company's accounting policy for leases.

	2022 $	2021 $
Current Unsecured		
Lease liability	**1,122**	**5,721**
Non-Current Unsecured		
Lease liability	**-**	**2,742**

Current unsecured lease liability and other borrowings	2022 $	2021 $
Balance at beginning of period	5,721	12,054
Repayments	(4,599)	(7,831)
Reclassify non-current lease liability to current lease liability	-	1,498
Closing balance at end of year	**1,122**	**5,721**

Non-current unsecured lease liability	2022 $	2021 $
Balance at beginning of period	2,742	4,240
Reclassify non-current lease liability to current lease liability	(2,742)	(1,498)
Closing balance at end of year	**-**	**2,742**

14 Share capital

(a) Accounting policy - issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

	2022 Share	2022 $	2021 Shares	2021 $
Ordinary shares				
Fully paid	669,835,226	83,536,397	480,819,986	77,003,347
Total issued capital	**669,835,226**	**83,536,397**	**480,819,986**	**77,003,347**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movements in ordinary shares on issue

Details	Number of Shares	Total $
Balance 1 July 2020	142,254,865	67,385,981
Share consolidation adjustment	(468)	-
Rights issue (August 2020)	142,254,397	3,556,360
Shares issue (August 2020)	21,338,159	533,455
Shares issue in lieu of cash (October 2020)	988,949	35,310
Shares issue (December 2020)	76,708,975	2,761,523
Shares issue (February 2021)	1,111,112	40,000
Shares issue (June 2021)	96,163,997	3,654,232
Less: Capital raising costs[1]	-	(963,514)
Balance 30 June 2021	**480,819,986**	**77,003,347**
Exercise of listed options (November 2021)[3]	100,894	5,045
Shares issue (February 2022)	120,230,220	4,568,748
Shares issue (March 2022)	52,842,026	2,007,997
Shares issue (March 2022)	4,210,522	160,000
Shares issue in lieu of cash (March 2022)	11,000,000	418,000
Shares issue (March 2022)	631,578	24,000
Less: Capital raising costs[2]	-	(650,740)
Balance 30 June 2022	**669,835,226**	**83,536,397**

1. *$239,025 transaction costs on share issues related to the fair value of 9,132,603 unlisted options issued to external corporate advisory group Baker Young Stockbrokers for capital raise brokerage services and placement services rendered. Out of the total 9,132,603 unlisted options to Baker Young, 2,923,385 unlisted options are yet to be issued as they requires shareholders approval in the upcoming General Meeting.*
2. *$141,160 transaction costs on share issues related to the fair value of 4,854,999 unlisted options issued to external corporate advisory group Baker Young Stockbrokers for capital raise brokerage services and placement services rendered.*
3. *100,894 options were exercised on 11 November 2021 with cash consideration, resulting in an issue of shares 1:1.*

14 Share capital (continued)

(b) Accounting policy - share options

The Company has two share-based payment options scheme under which options to subscribe for the Company's shares have been granted to certain Directors, other Key Management Personnel and other employees. Refer to Note 16 for the accounting policy on these share options.

The Company also has listed share option on issue which were free attaching options to previous rights issues and placements and also those issued to brokers and consultants for these issues.

The free attaching options are not required to be valued; the options issued to brokers are valued and accounted for in a similar way to the employee options.

	2022		2021	
Movements in share options	**Number of options**	**Exercise price $**	**Number of options**	**Exercise price $**
Balance at beginning of year	**58,267,596**	**0.3507**	**53,744,337**	**0.3507**
Share options SUDOE issued during the year			47,418,378	0.0500
Share options SUDOD lapsed during the year			(20,688,051)	0.3750
Share options SUDOC lapsed during the year			(27,956,286)	0.3675
Unlisted options lapsed during the year			(460,000)	0.5700
Unlisted options issued during the year			4,000,000	0.0500
Unlisted options issued during the year			2,209,218	0.0720
Unlisted options issued during the year	1,286,667	0.0570		
Unlisted options issued during the year	1,286,667	0.0611		
Unlisted options issued during the year	1,286,666	0.0650		
Unlisted options issued during the year	2,923,385	0.0760		
Unlisted options issued during the year	8,000,000	0.0750		
Unlisted options issued during the year	1,000,000	0.0740		
Unlisted options issued during the year	1,000,000	0.0790		
Unlisted options issued during the year	1,000,000	0.0840		
Unlisted options issued during the year	6,000,000	0.0750		
Unlisted options issued during the year	2,400,000	0.0520		
Unlisted options issued during the year	2,400,000	0.0440		
Unlisted options issued during the year	4,854,999	0.0570		
Unlisted options issued during the year	2,500,000	0.0690		
Unlisted options issued during the year	1,000,000	0.0615		
Unlisted options issued during the year	1,200,000	0.0377		
Unlisted options issued during the year	4,911,050	0.0410		
Unlisted options forfeited during the year	(4,000,000)	0.0750		
Unlisted Options expired during year	(520,000)	0.1475		
Unlisted Options expired during year	(520,000)	0.1575		
Unlisted Options expired during year	(560,000)	0.1675		
Unlisted Options expired during year	(240,000)	0.1825		
Balance as at 30 June	**95,376,136**	**0.0567**	**58,267,596**	**0.0564**

There were 95,376,136 (2021: 58,267,596) share options outstanding at the end of the year with a weighted average exercise price of $0.0567 (2021: $0.0564) and a weighted average remaining contractual life was 494 days (2021: 435 days).

15 Reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 16 for further details of these plans.

16 Share-based payments

(a) Accounting policy

Equity settled transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

i. the Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives, consultants and other employees;

ii. the Tax Exempt Plan under which eligible employees may be issued up to $1,000 of shares, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is either determined by an external valuer using a Monte Carlo simulation or a Binomial model, or internally using a Black-Scholes model, further details of which are given in this Note further below.

The cost of equity-settled transactions with parties other then employees is measured at the fair value of goods or services received at the date the entity obtains the goods or counterparty renders the services, unless these can not be estimated reliably. In this instance the cost of these equity-settled transactions with parties other then employees is measured by reference to the fair value of the equity instruments.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Arovella Therapeutics Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

16 Share-based payments (continued)

(a) Accounting policy (continued)

Equity settled transactions (continued)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share, refer Note 4 .

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is either determined by an external valuer using a Monte Carlo simulation or a Binomial model, or internally using a Black-Scholes model, using the assumptions detailed in this Note further below.

Options to external consultant

During the year, 4,854,999 unlisted options were issued to Baker Young as approved by Shareholders at the General Meeting held on 8 March 2022.

Options to external consultant	**March 2022**
Number of options	4,854,999
Grant date	16 Mar 2022
Dividend yield (%)	0.00%
Expected volatility (%)	136.49%
Risk-free interest rate (%)	2.18%
Expected life of option (years)	3
Exercise price (cents)	5.7
Grant date share price (cents)	4.0
Fair value at grant date	2.91

16 Share-based payments (continued)

(a) Accounting policy (continued)

Employee Share Option Plan (ESOP)

On 26 September 2017, the Directors adopted the following plans:

i. Employee Share Option Plan (Option Plan) under which Directors, executives, consultants and other employees may be offered the opportunity to be granted Options; and the ESOP was approved for adoption with an increase limit to 30,000,000 securities within a three year period from 14 October 2021.

ii. Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares.

The maximum number of proposed ESOP securities was passed in the Extraordinary General Meeting held on 14 October 2021 for 30,000,000 securities within a three year period from 14 October 2021.

The vesting of Options under the terms of the Plans is dependent on both of the following performance conditions being satisfied:

i. Market capitalisation, and

ii. Continuous employment

The contractual life of each option granted is 3 years or may vary depending on the Board's discretion. Options can be settled by payment at the exercise price or a cashless exercise facility is available.

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments is disclosed in Note 1(c)(v).

The following table illustrates the number and weighted average exercise prices of and movements in share options, under the ESOP, issued during the year:

	2022		2021	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of year	4,640,000	$ 0.12	5,100,000	0.16
Granted during the year	13,971,050	0.06	-	-
Lapsed during the year	-	-	(460,000)	0.57
Expired during the year	(1,840,000)	0.16	-	-
Outstanding at the end of year	16,771,050	0.06	4,640,000	0.12
Exercisable at the end of year	**6,742,192**	**0.07**	**3,840,000**	**0.12**

16 Share-based payments (continued)

(a) Accounting policy (continued)

Employee Share Option Plan (ESOP)

The following share-based payment arrangements for Directors, other Key Management Personnel, consultants and other employees were in place during the current year:

	Number	Grant date	Expiry date	Exercise price	Vesting date
Options to directors	1,200,000	2 Jan 2020	1 Jan 2024	8.58 cents	30 Jun 2020
Options to directors	800,000	2 Jan 2020	1 Jan 2024	9.17 cents	30 Jun 2021
Options to directors	800,000	2 Jan 2020	1 Jan 2024	9.76 cents	30 Jun 2022
Options to consultant (b)	1,286,667	18 Jun 2021	17 Jun 2025	5.70 cents	30 Jun 2022
Options to consultant (b)	1,286,667	18 Jun 2021	17 Jun 2025	6.11 cents	30 Jun 2023
Options to consultant (b)	1,286,666	18 Jun 2021	17 Jun 2025	6.50 cents	30 Jun 2024
Options to consultant (c)	1,000,000	2 Aug 2021	1 Aug 2025	7.40 cents	30 Jun 2022
Options to consultant (c)	1,000,000	2 Aug 2021	1 Aug 2025	7.90 cents	30 Jun 2023
Options to consultant (c)	1,000,000	2 Aug 2021	1 Aug 2025	8.40 cents	30 Jun 2024
Options to directors (a)	8,000,000	14 Oct 2021	13 Oct 2025	7.5 cents	11 Nov 2021 - 11 Nov 2023
Options to directors (a) *	6,000,000	16 Dec 2021	15 Dec 2025	7.5 cents	16 Dec 2021 - 16 Dec 2023
Options to directors (a)	2,400,000	16 Dec 2021	15 Dec 2025	4.4 cents	16 Dec 2022 - 16 Dec 2024
Options to directors (a)	2,400,000	16 Dec 2021	15 Dec 2025	5.2 cents	16 Dec 2022 - 16 Dec 2024
Options to consultant (d)	1,200,000	13 Jan 2022	12 Jan 2025	3.77 cents	13 Feb 2022 - 13 Jan 2023
Options to consultant (e)	1,311,050	22 Jan 2022	21 Jan 2026	4.10 cents	28 Jun 2022 - 22 Jan 2023
Options to consultant (e)	3,600,000	1 Feb 2022	31 Jan 2026	4.10 cents	1 Feb 2023 - 1 Feb 2025
Options to consultant (f)	2,500,000	3 Mar 2022	24 Mar 2025	6.9 cents	25 Mar 2025
Options to consultant (g)	1,000,000	21 Apr 2022	20 Apr 2026	6.15 cents	28 Jun 2022 - 28 Jun 2023
Total	**35,571,050**				

** 4,000,000 options granted to Paul Hopper were subsequently forfeited upon his resignation on 30 June 2022.*

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

The fair value of the equity-settled share options granted during the year related to an employee share option plan and is estimated as at the date of grant using either the Monte Carlo simulation model, Binomial model or the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

16 Share-based payments (continued)

(a) Accounting policy (continued)

Employee Share Option Plan (ESOP) (continued)

a) Options issued during the year to directors

30 June 2022	Dr Michael Baker	Dr Debora Barton	Mr Paul Hopper	Dr Elizabeth Stoner
Number of options	8,000,000	2,400,000	6,000,000	2,400,000
Grant date	14 Oct 2021	16 Dec 2021	16 Dec 2021	16 Dec 2021
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	143.45%	142.89%	142.89%	142.89%
Risk-free interest rate (%)	0.48%	1.00%	1.00%	1.00%
Expected life of option (years)	4	4	4	4
Exercise price (cents)	7.5	5.2	7.5	4.4
Grant date share price (cents)	4.6	4.0	4.0	4.0
Fair value at grant date	3.73	3.32	3.19	3.37

b) Options issued during the year to Consultant 1

30 June 2022	Tranche 1	Tranche 2	Tranche 3
Number of options	1,286,667	1,286,667	1,286,666
Grant date	18 Jun 2021	18 Jun 2021	18 Jun 2021
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	142.56%	142.56%	142.56%
Risk-free interest rate (%)	0.19%	0.19%	0.19%
Expected life of option (years)	4	4	4
Exercise price (cents)	5.7	6.1	6.5
Grant date share price (cents)	3.6	3.6	3.6
Fair value at grant date	2.91	2.89	2.87

c) Options issued during the year to Consultant 2

30 June 2022	Tranche 1	Tranche 2	Tranche 3
Number of options	1,000,000	1,000,000	1,000,000
Grant date	2 Aug 2021	2 Aug 2021	2 Aug 2021
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	144.44%	144.44%	144.44%
Risk-free interest rate (%)	0.14%	0.14%	0.14%
Expected life of option (years)	4	4	4
Exercise price (cents)	7.4	7.9	8.4
Grant date share price (cents)	5.1	5.1	5.1
Fair value at grant date	4.19	4.17	4.14

16 Share-based payments (continued)

(a) Accounting policy (continued)

Employee Share Option Plan (ESOP) (continued)

d) Options issued during the year to Consultant 3

30 June 2022	Tranche 1
Number of options	1,200,000
Grant date	13 Jan 2022
Dividend yield (%)	0.00%
Expected volatility (%)	140.12%
Risk-free interest rate (%)	3.24%
Expected life of option (years)	3
Exercise price (cents)	3.77
Grant date share price (cents)	2.2
Fair value at grant date	1.59

e) Options issued during the year to Consultant 4

30 June 2022	Tranche 1	Tranche 2
Number of options	3,600,000	1,311,050
Grant date	1 Feb 2022	22 Jan 2022
Dividend yield (%)	0.00%	0.00%
Expected volatility (%)	142.8	100.0
Risk-free interest rate (%)	3.24	1
Expected life of option (years)	2	2
Exercise price (cents)	4.1	4.1
Grant date share price (cents)	2.2	3.9
Fair value at grant date	1.77	2.66

f) Options issued during the year to Consultant 5

30 June 2022	Tranche 1
Number of options	2,500,000
Grant date	3 Mar 2022
Dividend yield (%)	0.00%
Expected volatility (%)	137.88%
Risk-free interest rate (%)	2.18%
Expected life of option (years)	3
Exercise price (cents)	6.9
Grant date share price (cents)	4.0
Fair value at grant date	2.83

16 Share-based payments (continued)

(a) Accounting policy (continued)

Employee Share Option Plan (ESOP) (continued)

g) Options issued during the year to Consultant 6

30 June 2022	Tranche 1
Number of options	1,000,000
Grant date	21 Apr 2022
Dividend yield (%)	0.00%
Expected volatility (%)	142.97%
Risk-free interest rate (%)	3.24%
Expected life of option (years)	4
Exercise price (cents)	6.15
Grant date share price (cents)	2.2
Fair value at grant date	1.69

17 Financial instruments

(a) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(b) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified at amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

17 Financial instruments (continued)

(c) Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

(d) Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(e) Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

17 Financial instruments (continued)

(f) Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(g) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged from 2021.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

The Company is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

	Notes	2022 $	2021 $
Financial assets			
Cash and cash equivalents	5	6,070,967	6,717,198
Trade and other receivables	6	36,290	9,595
R&D tax incentive receivable		-	524,042
		6,107,257	**7,250,835**
Financial liabilities			
Trade and other payables	11	751,909	227,459
Accruals	11	63,616	472,876
Borrowings	13	1,122	8,463
Legal settlement	11	-	522,152
Lease liabilities	9	143,682	70,772
		960,329	**1,301,722**

17 Financial instruments (continued)

(h) Financial risk management objectives

The Company is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(i) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(j) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company receives a portion of its revenue in foreign currency, predominately US dollars and Euros. There is a risk that adverse currency movements may negatively impact the Company.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	30 June 2022			30 June 2021		
	GBP	EUR	USD	GBP	EUR	USD
Liabilities	206,966	121,676	219,951	49,900	575,842	5,418
Assets	415,501	-	67,510	226	-	115,518

17 Financial instruments (continued)

(k) Foreign currency sensitivity analysis

The Company is exposed to GB Pounds (GBP) Euros (EUR) and US Dollar (USD) currency fluctuations.

The following table details the Company's sensitivity to a 5% increase and decrease in the Australian dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Profit		Equity	
	2022	2021	2022	2021
+/- 5% in AUD/GBP	(10,427)	(2,484)	10,427	2,484
+/- 5% in AUD/EUR	6,084	(28,792)	(6,084)	28,792
+/- 5% in AUD/USD	7,622	5,505	(7,622)	(5,505)

This is mainly attributable to the exposure outstanding on USD, GBP and EUR currencies held at year end in the Company.

(l) Interest rate risk management

The Company have minimised their exposure to interest rate risk as the Company have maintained financial assets and financial liabilities at fixed interest rates. Hence the impact of interest rate risk is not material to the Company.

(m) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

17 Financial instruments (continued)

(n) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(o) Employment Contracts

The details of the Directors' employment contracts are:

Directors	Period of notice
Paul Hopper	Nil
David Phillips	1 month
David Simmonds	Nil
Michael Baker	3 months
Debora Barton	Nil
Elizabeth Stoner	Nil

18 Commitments and contingencies

As of 30 June 2022, the Company has research and development commitments of approximately $1.24 million.

The Company has entered into various license agreements which enables it to develop various licensed products. These agreements contain typical provisions normally found in such agreements that require the Company to pay various payments on achievement of certain milestones (typically related to sales of licensed products). The Directors cannot at this stage determine the likelihood of these milestones being achieved and as a result, do not believe that disclosure under AASB 137 Provisions, Contingent Liabilities and Contigent Assets is required to be made on the basis that any contingent liability would be remote.

19 Related party disclosure

Transactions with Key Management Personnel

Refer to Note 22 for details of transactions with key management personnel.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

20 Events occurring after the reporting period

The following occurred after the Balance Date:

- On 1 July 2022, Mr Gary Phillips was appointed as a Non-Executive Director of the Company.
- 47,317,484 free-attaching options, each with an exercise price of $0.05, which were issued as part of a capital raising initiative expired on 31 July 2022.

  Prior to expiry, 85,204 options were exercised into ordinary shares on a 1:1 basis by option holders.
- On 15 September 2022, 2,500,000 unlisted options were issued to an external consultant. The options are exercisable at $0.069 each, expiring on 14 September 2025.
- On 20 September 2022, 930,378 ordinary shares were issued at $0.024 each.
- On 26 September 2022, Arovella entered into a collaboration with Imugene Limited (ASX: IMU) to test Arovella's iNKT cell therapy and Imugene's onCARlytics platform to explore potential in solid tumours.

No other matters or circumstances have arisen since June 30, 2022 that have significantly affected the Company's operations, results or state of affairs, or may do so in future years.

21 Remuneration of auditors

The auditor of Arovella Therapeutics Limited is HLB Mann Judd.

	2022 $	2021 $
Audit and review of financial statements	63,500	62,500
Total remuneration for audit and other assurance services	**63,500**	**62,500**

22 Directors and executives disclosures

Details of Key Management Personnel

Directors

Dr. Elizabeth Stoner	Non-Executive Interim Chairperson (appointed as Non-Executive Director 10 November 2021, transition to Interim Chairperson on 1 July 2022)
Mr. David Simmonds	Non-Executive Director
Dr. Michael Baker	CEO and Managing Director
Dr. Debora Barton	Non-Executive Director (appointed 10 August 2021)
Mr. Paul Hopper	Non-Executive Chairman (resigned 30 June 2022)
Mr. David Phillips	Executive Director (resigned 14 January 2022)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

Transactions and balances with Key Management Personnel

	2022 $	2021 $
Mr David Phillips - consulting fees payable[1]	-	11,000
Dr Michael Baker - bonus payable [2]	60,300	75,000

1. *There were no consulting fees payable to Mr David Phillips at 30 June 2022 (2021: paid in July 2021).*
2. *Bonus payable to Dr Michael Baker is to be paid via issuance of equity subject to shareholder approval. (2021: paid in September 2021).*

The aggregate compensation made to Directors and other key management personnel of the Company is set out below:

	2022 $	2021 $
Short-term employee benefits	592,906	925,610
Post-employment benefits	41,167	47,675
Long-term benefits	3,280	-
Share-based payments	363,905	35,145
	1,001,258	**1,008,430**

23 Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the financial statements for the Company. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia and operates in Australia. The Company's principal activity during the year was pharmaceutical development invariant Natural Killer T (iNKT) cell platform for cancer treatment and its oral spray delivery technology to treat cancer and conditions that affect the central nervous system.

(a) Statement of compliance

The financial report was authorised for issue on 28 September 2022.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(b) New and amended standards adopted by the Company

For the year ended 30 June 2022, 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.

The adoption of these standards has not had any impact on the disclosures or amounts reported in these financial statements.

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted or effective for the year ended 30 June 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Company accounting policies.

(c) Changes in accounting policies

Government grants

Transactions involving government grants received are accounted for by applying AASB 120 Government Grants.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Note provides further information on how the Company accounts for government grants.

Grants relating to R&D Tax Incentives are disclosed as other income.

(d) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and

associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Estimation of useful lives of assets

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

(e) 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. This includes the continued development and commercialisation of the Company's current projects.

As disclosed in the financial statements, the Company incurred a loss of $8,620,588 (2021: $5,047,465) and had operating cash outflows of $6,268,245 for the year ended 30 June 2022 (2021: $3,544,528). As at 30 June 2022, the Company held cash and cash equivalents of $6,070,967 (2021: $6,717,198). The Directors are of the opinion that the Company is a going concern for the following reasons:

- The Directors anticipate that a further equity raising will be required and will be completed in FY2023.
- Based on prior experience, the Directors are confident that they can raise additional capital if and when required.

Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern, and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. Despite these uncertainties, the Directors are of the view that the Company will be successful in the above matter and accordingly have adopted the going concern basis in the preparation of the financial report.

COVID-19

COVID-19 has led to widespread restrictions on both national and international travel. To date, the Company's supply chain has not been affected. Nevertheless, the risk that COVID-19 poses in terms of overwhelming health care systems must be taken into account when factoring in programs that are at the clinical stage.

As a result of the COVID-19 outbreak, or similar pandemics, the Company may experience disruptions that could severely impact the business in the following ways:

- delays or disruptions in supply chain for materials required for research and/or clinical trials;
- delays in the completion of research due to infection of key research personnel;
- delays enrolling patients into clinical trials;
- reduced ability to engage with the medical, pharmaceutical industry and investor communities due to the cancellation of conferences and travel bans, which may impact the ability to attract collaborators, potential industry partners and investors.

Directors' Declaration

In the opinion of the directors of Arovella Therapeutics Limited (the 'Company'):

(a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the year then ended; and

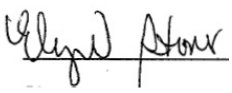
  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

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



Dr. Elizabeth Stoner

Director

28 September 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of Arovella Therapeutics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Arovella Therapeutics Limited ("the Company") which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 2022 and of its financial performance for the year then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("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 Regarding Going Concern

We draw attention to Note 23 (e) in the financial report, which indicates 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Regarding Going Concern* section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	**How our audit addressed the key audit matter**
Carrying amount of intangible assets Refer to Note 10 of the financial report	
Included within the intangible assets balance of $2,253,271 at balance date are intellectual property acquired separately and internally generated intangibles. A total impairment charge of $833,271 relating to the Sumatriptan projects has been recorded during the year ended 30 June 2022. In accordance with AASB 138 *Intangible Assets*, the Group capitalises acquisition costs of intellectual property acquired separately, and accounts for costs incurred after recognition relating to the research phase by expensing such costs and capitalising the development phase costs when the recognition criteria contained in AASB 138 are satisfied. The balance of $2,253,271 relates to projects, the majority of which are available for use and which are being amortised. This amount is tested for impairment only if it is considered that there are impairment indicators present. This is considered to be a key audit matter because this asset represents a significant balance in the statement of financial position and the assessment of whether any impairment indicators existed involves considerable judgement.	Our procedures included but were not limited to the following: - We obtained an understanding of the key controls associated with management's assessment of the recoverable amount of the intangibles; - We considered management's assessment of whether any impairment indicators existed; - We considered the recoverable amount of intangibles where impairment indicators existed; and - We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.

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 2022, 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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Arovella Therapeutics Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 September 2022

L Di Giallonardo
Partner

Shareholder Information

The shareholder information set out below was applicable as at 16/9/2021.

A. Distribution of equity securities

Holding	Number of Holders
1 - 1000	698
1,001 - 5,000	644
5,001 - 10,000	414
10,001 - 100,000	1,457
100,001 and over	753
	3,966

There were 1,756 holders of less than a marketable parcel of shareholdings. There were no substantial shareholders as at the reporting date.

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

B. Equity security holders

20 Largest Shareholders - Ordinary Shares

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
THE TRUST COMPANY (AUSTRALIA) LIMITED <MBF A/C>	42,546,657	6.35
MANN BEEF PTY LTD	20,000,000	2.99
UBS NOMINEES PTY LTD	15,064,640	2.25
ZERRIN INVESTMENTS PTY LTD	14,000,000	2.09
DYLIDE PTY LTD	12,500,000	1.87
KAMALA HOLDINGS PTY LTD <THE KAMALA 1994 S/F A/C>	11,500,000	1.72
CHELSEA INVESTMENTS (WA) PTY LTD	10,000,000	1.49
S3 CONSORTIUM PTY LTD	8,800,000	1.31
PCAS (AUSTRALIA) PTY LTD <PCAS INVESTMENT A/C>	6,131,578	0.92
DESTINY LANE PTY LTD	5,850,000	0.87
M & M STOCK ONE PTY LTD <THE M & M STOCK ONE A/C>	5,610,526	0.84
SCINTILLA STRATEGIC INVESTMENTS LIMITED	5,600,000	0.84
MOOVNUP PTY LTD <MOOVNUP A/C>	5,000,526	0.75
BAMBER INVESTMENTS PTY LTD	5,000,000	0.75
ALEXANDER HOLDINGS (WA) PTY LTD	5,000,000	0.75
THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	5,000,000	0.75
S3 CONSORTIUM HOLDINGS PTY LTD <NEXTINVESTORS DOT COM A/C>	4,831,579	0.72
TERMCO PTY LTD	4,700,000	0.70
MR MARVIN WENG CHUNG LEONG & MRS TIEN JU YEAP <MARJU SUPER A/C>	4,250,578	0.63
MR TIMOTHY WILLIAM COOPER & MRS KELLIE MAREE COOPER	4,250,000	0.63
	195,636,084	**29.22**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