Arovella Therapeutics Limited (ASX:ALA)

ABN 35 090 987 250

Annual report

For the year ended 30 June 2023

Arovella Therapeutics Limited
Appendix 4E
Annual Report
Year ended 30 June 2023

Name of entity:	Arovella Therapeutics Limited
ABN:	35 090 987 250
Year ended:	30 June 2023
Previous period:	30 June 2022

Results for announcement to the market

				$
Revenue for ordinary activities	Up	37.2%	to	405,898
Loss from ordinary activities after tax	Up	18.1%	to	(10,181,351)
Net loss for the period attributable to members	Up	18.1%	to	(10,181,351)

Net tangible assets per security

	30 June 2023 Cents	30 June 2022 Cents
Net tangible asset backing (per share)	**0.44**	0.79

Explanation of results

Please refer to the review of operations and activities on pages 7 to 14 for explanation of the results.

Distributions

No dividends have been paid or declared by the Company for the current financial year. No dividends were paid for the previous financial year.

Changes in controlled entities

There have been no changes in controlled entities during the year ended 30 June 2023.

Other information required by Listing Rule 4.3A

a. Details of individual and total dividends or distributions and dividend or distribution payments:	N/A
b. Details of any dividend or distribution reinvestment plans:	N/A
c. Details of associates and joint venture entities:	N/A
d. Other information	N/A

Audit Status

The financial statements have been audited by the group's independent auditor without any modified opinion or disclaimer.

Contents

Corporate Directory

Directors	Dr. Thomas Duthy (appointed 13 March 2023) Non-Executive Chairman Dr. Elizabeth Stoner Non-Executive Director Mr. David Simmonds Non-Executive Director Dr. Michael Baker CEO and Managing Director Dr. Debora Barton 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 Australia T: 03 9824 5254
Share registry	Automic Pty Ltd Suite 5 Level 12 530 Collins St Melbourne VIC 3000 T: 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 code	Ordinary shares - ALA
Website	www.arovella.com

Letter from the Chairman

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 2023. 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 (SPP), which closed in June and July this year, respectively.

Let me start by saying that I am delighted to have joined your Company as Chairman. I remain committed to our iNKT cell technology and the management group, as we look forward to delivering value to our new and longstanding shareholders. Our iNKT cell platform is differentiated, patent protected and highly prospective when considering its potential application across certain blood cancers and potentially solid tumours through our partnership with Imugene (ASX:IMU). To show my commitment since commencing my role as Chairman on 13 March 2023, and to ensure that our financial resources are directed to these important R&D programs, I elected to take my first year of Director fees in shares, priced 29% above the 10-day volume weighted average price. I continue to feel as enthused today as I did upon joining the company. Our progress has been commendable.

We have continued to make important steps in the development of our iNKT cell therapy platform. We were selected to present data for our lead product, ALA-101, at the American Association for Cancer Research (AACR). The data was well received by our cell therapy peers and clinician scientists. The response from shareholders was also positive. In addition, it was excellent to have the European patent licensed from Imperial College London proceed to grant, and we look forward to prosecuting the patents in additional territories, including the US, China, Canada and Australia.

ALA-101 continues to progress well and we are carefully working through the manufacturing stages with our initial focus on optimisation. We look forward to scaling the process up so we can produce clinical-grade material, prior to submitting the required documentation to initiate our first-in-human Phase 1 clinical trial. This is expected to commence in calendar year 2024, which will be an enormous achievement for your Company.

We are also very excited to continue the Strategic Collaboration with Imugene. Their technology, onCARlytics, tags solid tumours with CD19, which primes ALA-101 to find and destroy these tumour cells. We were excited to receive in vitro data for the collaboration earlier in the year and looking forward to receiving in vivo data before the year end. To date, there has been limited success for cell therapies in solid tumours and we believe that the combination of ALA-101 and the onCARlytics platform may offer an important arsenal against the fight against solid tumours. We await with great anticipation the animal data combining the two platforms in the solid tumour setting in the second half of 2023.

Letter from the Chairman (continued)

Cell therapies have revolutionized the way we think about cancer treatment, and throughout 2022 and 2023 we continued to see a range of transactions at the preclinical and Phase 1 stages, resulting in sizeable deal terms for both license agreements and acquisitions. We have continued to see a fair amount of activity from major players in the pharma sector, including Janssen, AstraZeneca, Gilead and Genentech. Due to Arovella's iNKT cell platform, we are operating in a sub-sector of the cell therapy space that is far less competitive, including only a small handful of players. Once we demonstrate the applicability of the platform, we expect to generate interest from some of the larger cell therapy players.

To further differentiate ourselves from others in the sector, the team continued to scour the globe for technologies that we believe can enhance our iNKT cell platform. We found one such technology at the University of North Carolina, which is under the stewardship of Professor Gianpietro Dotti, one of the pioneers of CAR-iNKT cell therapies. We recently announced data generated using this cytokine technology, which was impressive in the solid tumour setting. Pending our due diligence, we believe that this could be a valuable addition to our core iNKT cell therapy platform.

"Cell therapies have revolutionized the way we think about cancer treatment, and throughout 2022 and 2023 we continued to see a range of transactions at the preclinical and Phase 1 stages, resulting in sizeable deal terms for both license agreements and acquisitions."

We dedicated a significant amount of effort to enhancing our team and to creating a laser-like focus for our iNKT cell therapy platform. In terms of our Governance, we were delighted to have Gary Phillips join the board and I was delighted to accept the position of Non-executive Chair. We also strengthened the executive team, adding a new Chief Operations Officer, Dr Nicole van der Weerden, who has a wealth of experience in the biotechnology sector. We also recruited Dr Robson Dossa, who is our VP of Manufacturing and Quality. We also strengthened our operations with the recruitment of Dr Simon Poon as Director of Project Management. Diversity is important for Arovella, with 33% of our Board of Directors being female along with 50% of our senior executive team.

To ensure that we have absolute focus on our iNKT cell therapy platform, we closed the legacy Perth-based R&D facility, and we will be no longer committing resources to developing oral spray therapeutics.

The Company is currently well capitalised thanks to the support of our existing and new investors, raising $7.96 million over the course of the financial year. Each Placement and 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's continued support over the course of the year.

The year has provided excitement and challenges. We continue to strive to create shareholder value as we advance our lead asset toward clinical trials and to expanding our pipeline to include solid tumours. We are as committed as ever to positioning the Company in a way that reflects the value of our iNKT cell therapy platform and the value that it may be able to deliver to cancer patients globally. This we have achieved through attendance of global conference across Australia, the US and Asia.

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

Dr. Tom Duthy
Non-Executive Chairman

Review and Results of Operations

Financial Review

The revenue for the financial year ended 30 June 2023 was $405,898 (2022: $295,810). The loss for the year was $10,181,351 (2022: $8,620,588).

The Company's net assets decreased from $7,616,982 to $3,780,091 at 30 June 2023 with cash reserves of $5,175,338 (2022: $6,070,967).

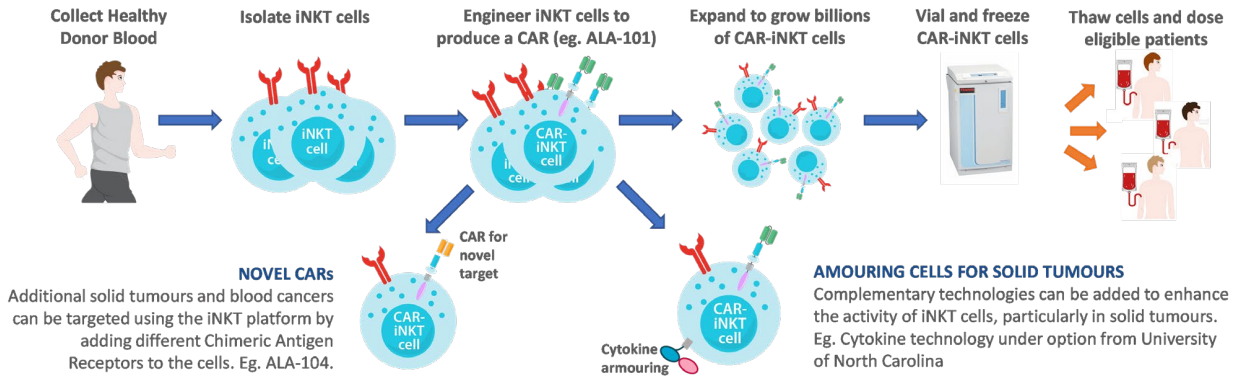
Over the reporting period, the Company completed two oversubscribed Placements and a Share Purchase Plan to raise a total of $7.9 million. Funds raised will progress Arovella's lead product, ALA-101, towards a Phase 1 clinical trial for patients with CD19-positive Non-Hodgkin's lymphoma, to strengthen Arovella's iNKT cell therapy pipeline and provide general working capital. The Placements and SPP received strong support from new and existing investors, demonstrating the potential for the iNKT cell platform technology. A summary of the capital raisings is below.

Equity issue	Amount raised	Price per share	Total shares issued
January 2023 Placement	$1.65 million	$0.02	82,750,000
June 2023 Placement	$4.1 million	$0.045	91,111,111
June Share Purchase Plan (closed in July)	$2.2 million	$0.045	49,241,018

Operational Review

iNKT cell platform

Arovella's invariant Natural Killer T (iNKT) cell therapy platform is a novel, differentiated cancer therapeutic with the potential to treat various blood cancers and solid tumours. iNKT cells are a naturally occurring subset of the immune system that naturally target and kill specific cancer cell types. Unlike T cells and Natural Killer (NK) cells, iNKT cells have properties of both the innate and adaptive immune systems. By genetically reprogramming iNKT cells to express a Chimeric Antigen Receptor (CAR), they focus on finding and destroying cancer cells. As iNKT cells do not cause graft versus host disease (GvHD), they offer an off-the-shelf therapeutic solution, making them more accessible and affordable. iNKT cells can also be 'armoured' with cytokines to enhance their persistence in the body and increase their anti-tumour activity.



Arovella's iNKT cell therapies involve collecting blood from healthy donors and isolating the donor's iNKT cells. These iNKT cells are genetically reprogrammed to produce a CAR before being grown in numbers to billions of CAR-iNKT cells. The cells are then frozen and stored, ready for use to treat eligible patients.

Review and Results of Operations (continued)

iNKT cells represent a unique cell type that has recently become a focus to biotechnology companies for their anti-tumour properties. Arovella remains one of only a few companies developing cancer therapies based on iNKT cells worldwide. The Company expects its iNKT cells to be superior for use as a cell therapy because iNKT cells:

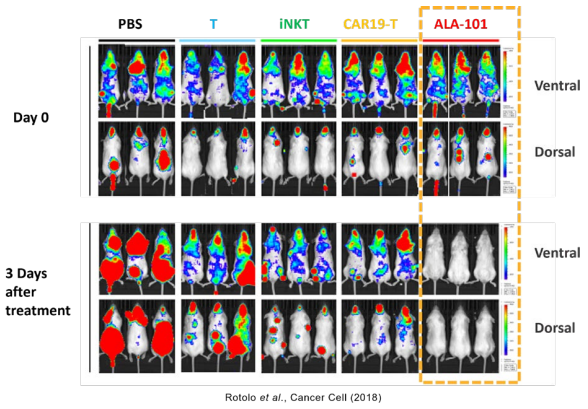
- naturally target and kill cancer cells that express CD1d, and when engineered to express a CAR, they are supercharged killers.
- shape the tumour microenvironment, promoting tumour destruction.
- recruit other components of the immune system.
- don't cause GvHD so they can be given from a healthy donor to a cancer patient – referred to as being used "off-the-shelf".

Arovella's lead product using the iNKT cell platform is ALA-101. ALA-101 consists of iNKT cells engineered to produce a Chimeric Antigen Receptor (CAR) on their surface, which targets CD19. This CD19-targeting CAR allows the iNKT cells to find and kill tumour cells that express CD19. ALA-101 is being developed to treat CD19-expressing blood cancers such as Non-Hodgkin's Lymphoma (NHL).

ALA-101 performs better than conventional CAR-T cells against cancer cell lines that express CD19 and CD1d in mouse models. ALA-101 rapidly kills cancer cells, promotes long-term survival, and even demonstrates a secondary remission for cancer cells upon return to the brain.

> **"Arovella's iNKT cell platform has the potential to be a more effective cancer treatment that can be given 'off-the-shelf', improving access and outcomes for patients."**

A



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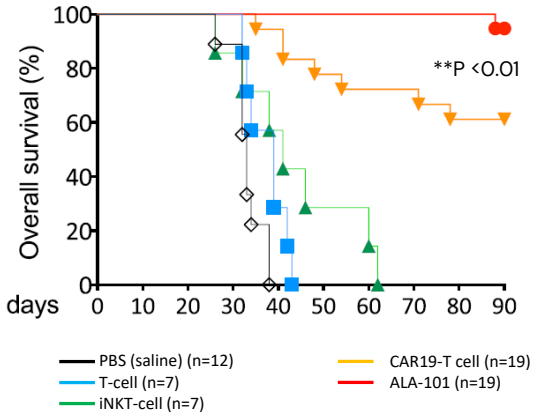


Tumour cells expressing CD19 and CD1d were intravenously delivered into mice. Mice were treated with PBS (saline), unmodified T cells (T), unmodified iNKT cells (iNKT), T cells engineered to express a CD19-targeting CAR (CAR19-T), or iNKT cells engineered to express a CD19-targeting CAR (ALA-101).

(A) After three days, ALA-101 resulted in significant regression of tumour cells as assessed by bioluminescent imaging (colour equals the presence of tumour cells), while in all other treatments, tumour cells persisted at Day 3.

(B) Survival of the mice was also monitored out to 90 days. Within 40 days, all untreated mice succumbed to the tumours and died. In contrast, after 90 days, more than 95% of the CAR19-iNKT-treated mice remained alive. CAR-iNKT cell treatment enhanced mice survival significantly more than CAR-T cells.

During the 2022-23 financial year, Arovella made significant progress in advancing ALA-101 towards clinical trials. Key highlights include:

Initiating GMP manufacturing of key components

During the year, Arovella finalised the design of its CAR construct and began the manufacture of GMP lentivirus, which engineers the CAR onto the iNKT cells. Arovella uses the 3rd-generation lentivirus system from Lentigen, a world leader in clinical-grade lentivirus manufacture. Arovella has received "process demonstration"-grade lentivirus and has demonstrated that the lentivirus can effectively modify iNKT cells to produce the CD19-targeting CAR. Manufacture of the GMP-grade material required for clinical trials is now underway and due for completion in Q4 2023. The manufacture of this key component is an essential milestone for the development of ALA-101.

Arovella also began process development and scale-up for GMP manufacture of the ALA-101 drug product at Q-Gen Cell Therapeutics (Brisbane). This work is ongoing, and Arovella anticipates manufacturing clinical-grade material for use in phase I trials in the first half of 2024.

Presenting the Company's first data for the iNKT cell therapy platform at the American Association of Cancer Research (AACR) Annual Meeting, demonstrating that ALA-101 is a promising treatment for CD19-expressing blood cancers

In April 2023, Arovella presented a poster at the American Association for Cancer Research (AACR) Annual Meeting. AACR is the first and largest cancer research organisation, and to be accepted to present is an honour and recognition of the exciting potential of Arovella's iNKT cell platform. The data supported the manufacturing process licensed from Imperial College London and that the iNKT cell platform, particularly ALA-101, is a promising weapon in the fight against cancer. Specifically:

- iNKT cells engineered with lentivirus to produce a CD19-targeting-CAR (ALA-101) are well expanded (~5000-fold) during manufacture and cryopreserved (frozen) for future use without compromising the potency of the cells.
- ALA-101 effectively killed tumour cells that express CD19, including primary patient-derived tumour cells.
- ALA-101 significantly extended the lifespan of mice transplanted with aggressive human B-Cell Acute Lymphoblastic Leukemia (B-ALL) that does not produce CD1d, indicating the activity of ALA-101 through the engineered CD19 CAR.
- Following a ~5,000-fold increase in cell numbers during manufacture, CAR19-iNKT cells retained the ability to multiply further when exposed to tumour cells that express CD19.
- The data confirmed that the proposed manufacturing process maintained the effectiveness of the ALA-101 cells when used 'off-the-shelf' after thawing.

Receiving notification of grant of the European patent for the iNKT cell platform

On 7 November 2022, Arovella announced that the European Patent Office issued a notification of Intention to Grant a patent for the iNKT cell therapy platform under licence to Arovella from Imperial College Innovations Limited. The patent application, which covers the manufacturing of CAR-iNKT cells, was formally granted in May 2023.

The patent (EP19710101.7) has more than 15 years remaining (expiring 28 February 2039), providing long-life patent protection for Arovella's technology. Corresponding patent applications are pending in the United States, Canada, China, Hong Kong and Australia.

Expanding the pipeline to treat solid tumours

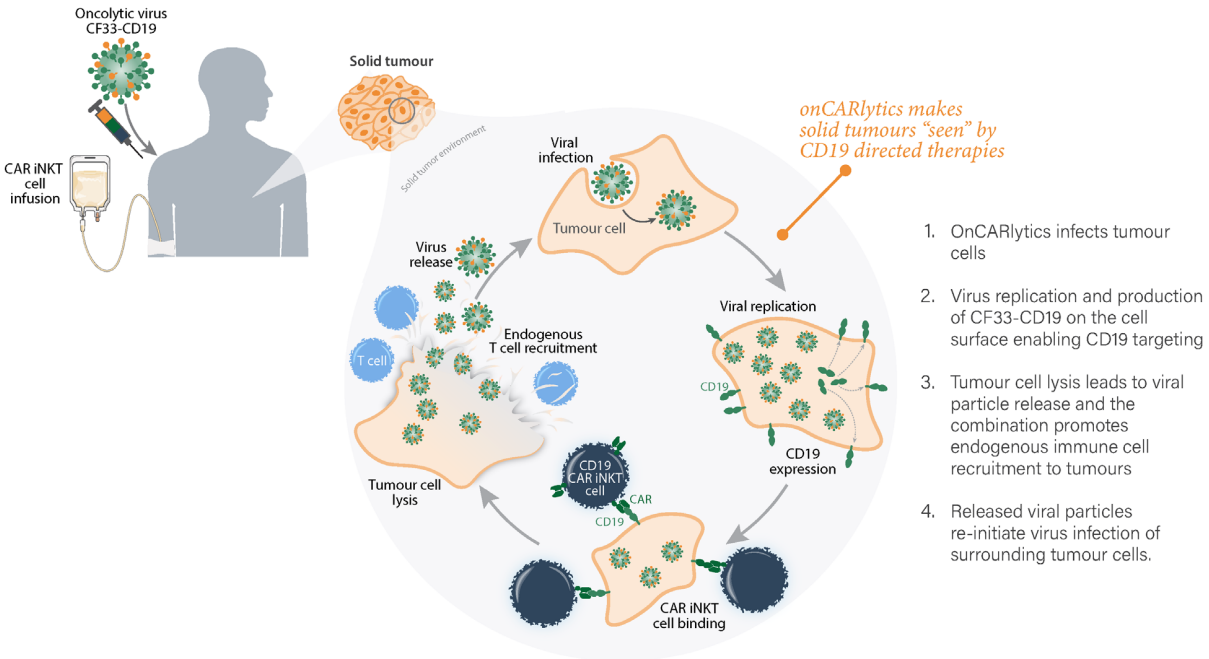
While ALA-101 represents Arovella's most advanced product, the Company continues to advance the iNKT cell platform to treat solid tumours. During the reporting period, Arovella made substantial progress on this front, including:

Entering into a strategic research collaboration with Imugene to combine the CD19-targeting therapy, ALA-101, with Imugene's onCARlytics platform to treat solid tumours

In September 2022, Arovella announced a Strategic Collaboration with the clinical-stage immune-oncology company, Imugene (ASX: IMU). Through the collaboration, Arovella and Imugene will test Arovella's CAR19-iNKT (ALA-101) cell therapy with Imugene's onCARlytics platform to tag and destroy solid tumours.

Imugene's onCARlytics platform induces solid tumour cells to express CD19 on their surface, making them visible to CD19-targeting therapies such as ALA-101. Solid tumours represent 90% of diagnosed cancer cases, and as of 2021, the solid tumour market was valued at US$210 billion[1]. Initial data from in vitro testing was positive and showed that ALA-101 could kill tumour cells infected with onCARlytics in culture. As a result, the collaboration progressed to the next stage of testing in mouse models. Data from the first mouse models is due by the end of 2023.

> **"Arovella is excited to expand the CAR-iNKT platform for the potential treatment of solid tumours."**



Mechanism of action for the ALA-101 onCARlytics collaboration. *The onCARlytics virus specifically infects solid tumour cells and induces the expression of a truncated non-signalling form of CD19 that sits on the surface of tumour cells. Following the administration of ALA-101 (CAR19-iNKT cells), tumour cells that express CD19 that have not been lysed by onCARlytics will be killed. iNKT cells also prime other host immune system components, such as T cells and NK cells, to eliminate solid tumours.*

1. https://www.databridgemarketresearch.com/reports/global-solid-tumors-market#:%7E:text=Data%20Bridge%20Market%20Research%20analyses,period%20of%202022%20to%202029

Entering into an option agreement for a cytokine technology that can enhance the persistence and anti-tumour activity of iNKT cells, particularly for the treatment of solid tumours

In December 2022, Arovella announced that it had entered into an Option Agreement with the University of North Carolina (UNC) Lineberger Comprehensive Cancer Center for a cytokine technology to enhance the persistence and activity of CAR-iNKT cells. Professor Gianpietro Dotti developed this technology and pioneered CAR-iNKT cells with Dr Leonid Metelitsa, a leading authority on iNKT cell biology.

The technology under Option incorporates the production of specialised cytokines in iNKT Cells. When iNKT cells produce these cytokines, they can persist for longer and in higher numbers, leading to improved tumour killing. In June 2023, Arovella announced positive data from the first mouse model incorporating the technology, which was a significant step forward in validating the utility of the technology.

Arovella is one of a handful of companies worldwide known to be developing therapeutics based on iNKT cells. Arovella continues to protect this unique position by acquiring novel complementary technologies. The cytokine technology can enhance the effectiveness of Arovella's iNKT cell platform and increase the barriers to entry for other companies developing iNKT cell therapeutics.

Arovella and UNC Lineberger are discussing the terms of a formal, definitive licence agreement relating to the cytokine technology. Entry to any such licence agreement will be subject to Arovella completing due diligence to its satisfaction and the parties finalising negotiations on commercial terms.

Testing the HLA2-DKK1 complex as a novel CAR target for solid tumours

In December 2021, Arovella licenced a novel monoclonal antibody from the University of Texas MD Anderson Cancer Centre targeting a DKK1 peptide in complex with HLA-A2 on the surface of cancer cells (DKK1). DKK1 is a target 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 broad spectrum of cancers that affect a significant proportion of the population.

Given that the DKK1-HLA-A2 complex is an entirely novel cancer target, Arovella has focussed on testing the specificity of both the monoclonal antibody and the target. Confirming this specificity and the ability of the DKK1 antibody to kill tumour cells but not healthy cells is essential before proceeding with a development program.

Arovella Completes Strategic Refocus

In October 2022, following a strategic review of its development pipeline, Arovella announced that it would close its Perth-based research and development facility (Facility) and cease expenditure on the OroMist platform. The Company focuses its resources and efforts entirely on developing its iNKT cell therapy platform, which the Board views as the most promising asset to generate long-term returns to shareholders.

As a result of the Company's decision to close the Facility, the Company is currently reviewing its contractual arrangements relating to ZolpiMist®. Arovella will keep shareholders apprised of updates under its continuous disclosure obligations.

Strengthening the Board and Management

During the reporting period, Arovella strengthened its Board by appointing Dr Thomas Duthy as Non-Executive Chair and Mr Gary Phillips as a Non-Executive Director.

Dr Thomas Duthy – Non-Executive Chair

Dr Duthy has over 18 years of direct financial market and executive-level/Board experience with ASX-listed companies. He is a Director and Founder of Nemean Group, which provides corporate advisory and investor relations (IR) services in the Life Sciences and Technology sectors. Dr Duthy held an IR/Corporate Development consultancy role with Nova Eye Medical (ASX:EYE) and successfully completed a $100 million all-cash sale of their Lasers & Ultrasound business to Lumibird Group was completed (2020) and a subsequent $61 million return was made to shareholders.

Dr Duthy was the former Head of Corporate Development and IR at Sirtex Medical (ASX:SRX), which was acquired for $1.9 billion in cash in September 2018 and remains the largest medical device acquisition in Australian corporate history. Dr Duthy is currently an Executive Director of Invex Therapeutics Ltd (ASX:IXC) and Neurotech International Ltd (ASX:NTI) and will continue his involvement with Nemean Group.

Dr Duthy holds a PhD from the University of Adelaide and an MBA from Deakin University. He is also a member of the Australian Institute of Company Directors (MAICD) and the Australasian Investor Relations Association (AIRA).

Mr Gary Phillips – Non-Executive Director

Mr Phillips has over 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.

Before 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 the Asia Pacific region 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).

Review and Results of Operations (continued)

The Company also continued to build a world-class management team with experience in delivering novel therapies into the clinic with the appointment of Dr Nicole van der Weerden as Chief Operating Officer, Dr Robson Dossa as VP of Manufacturing and Quality, and Dr Simon Poon as Director of Project Management.

Dr Nicole van der Weerden – Chief Operating Officer

In January 2023, Arovella announced that Dr Nicole van der Weerden had been appointed Chief Operating Officer. Dr van der Weerden brings over 15 years of strong leadership experience in the biotechnology industry, driving business objectives including pre-clinical discovery, proof-of-concept, manufacturing, and clinical development. Dr van der Weerden holds a PhD in biochemistry from La Trobe University and an MBA from Melbourne Business School and is a graduate of the Australian Institute of Company Directors.

Dr van der Weerden took up the newly created COO role to support Arovella as it enters a pivotal stage of development for its iNKT cell therapy platform, progressing towards first-in-human clinical trials.

Dr Robson Dossa – VP Manufacturing and Quality

In March 2023, Arovella appointed Dr Robson Dossa as VP of Manufacturing and Quality. Dr Dossa has a PhD in Immunology from Washington State University and a strong background in developing and implementing cell therapy programs, having worked at Kite Pharm and Instil Bio. with multiple programs that he has worked on currently being translated into clinical trials for haematological diseases as well as solid tumours. During his PhD, Dr Dossa focused on the potential therapeutic benefits of iNKT cells. Given his background at the world's leading cell therapy company Kite Pharma and his deep understanding of iNKT cells, Dr Dossa is a valuable addition to the Arovella team.

Dr Simon Poon – Director Project Management

Dr Simon Poon joined Arovella in December 2022. Dr Poon holds a PhD in protein chemistry from the University of Melbourne. He has more than 20 years of experience in biotechnology research and development at Hexima Limited, where he managed CMC activities, including development and technology transfer of manufacturing processes and analytical methods, led in-house scientific teams, and provided operational management and oversight of contract manufacturing and contract research organisations.

1. Company and Industry risks

The risks outlined below are specific to the Company's operations.

1.1 Dependency upon licence agreements

Access to the intellectual property rights to develop and commercialise CAR-iNKT cells in the field of oncology is predicated on the continuing operation of the license agreements in place between the Company and its licensors. Arovella is reliant on its licensors to have in place the relevant protection and rights to the technology as well as the authority to enter into the license agreements. Failure of a licensor or Arovella to comply with the terms of the licence agreements without an appropriate countermeasure could have a material adverse on Arovella's business, financial condition, operations or prospects.

1.2 Product development and regulatory risk

Arovella's ability to commercialise its intellectual property is reliant on its ability to generate preclinical and clinical data, including in respect of the new therapies using CAR-iNKT cells, which the Company is developing. These new therapies must undergo further clinical studies and those tests and trials may show that the product does not work in a safe and effective manner. There can be no guarantee that relevant regulatory agencies will allow Arovella to undertake such trials. The development and approval process for any new products or applications of existing products may take longer and/or cost more than expected and may result in the Company not producing a viable product. Drug development is a highly risky business with a high rate of failure, including due to potential low therapeutic benefit and unacceptable toxicity.

While the Company will conduct its clinical programs on the advice of consultants experienced in clinical trial design and regulatory affairs, there is no certainty that the trial design will provide appropriate data or that the data will meet the regulator's benchmark. This may require the Company to conduct further clinical studies, resulting in significant additional cost and delay. From the commencement of the clinical trial phase, the final drug development path typically takes between 7 to 11 years, depending on the indication.

1.3 Pipeline product in development and not approved for commercial sale

Arovella's ability to achieve profitability is dependent on several factors, including its ability to initiate and complete successful clinical trials, obtain regulatory approval for its CAR-iNKT technology and successfully commercialise its products. There is no guarantee that Arovella's products will be commercially successful.

1.4 Regulatory and reimbursement approvals

The research, development, manufacture, marketing and sale of products using Arovella's technology are subject to varying degrees of regulation by a number of government authorities in Australia and overseas. Products developed using Arovella's technology must undergo a comprehensive and highly regulated development and review process before receiving approval for marketing. Products may also be submitted for reimbursement approval. The availability and timing of reimbursement approval may not be forthcoming and if it does, it may have an impact on the uptake and profitability of products in some territories.

1.5 Intellectual Property

Arovella's ability to leverage its innovation and expertise depends on its ability to secure and protect its intellectual property and any improvements to it. The intellectual property may not be capable of being legally protected, it may be the subject of unauthorised disclosure or be unlawfully infringed, or the Company may incur substantial costs in asserting or defending its intellectual property rights. This includes Arovella's ability to obtain commercially valuable patent claims. Aside from the territories in which patents are currently granted, the patent applications are still pending, and additional patents are likely to be filed to provide for extensive protection.

1.6 Dependence upon key personnel

Arovella depends on the talent and experience of its personnel, and it may be difficult to replace them, or to do so in a timely manner or at comparable expense. The loss of services of one or more senior executives may have an adverse effect on the Company's operations.

1.7 Risk of delay and continuity of operations

Arovella may experience delay in achieving a number of critical milestones, including, completion of clinical trials, obtaining regulatory approvals, manufacturing, and securing commercial partners. Any material delays may impact adversely upon the Company, including the timing of results and the initiation and completion of clinical trials.

1.8 Future capital requirements

Arovella is generally loss making and the Company will require substantial additional financing in the future to sufficiently fund its operations, research and development, manufacturing and clinical trials. Any additional equity financing may be dilutive to shareholders (who may not have the opportunity to participate in that raising), and may be undertaken at lower prices than any prior offer prices.

Should the Company require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all. Any inability to obtain additional financing, if required, would have a material adverse effect on the Company's business, financial condition and results of operations. The Company's actual cash requirements may vary from those now planned and will depend upon many factors, including the continued progress of its research and development programs, the timing, costs and results of clinical trials, the cost, timing and outcome of submissions for regulatory approval and the status and timing of competitive developments.

1.9 Contractual risk

Any dispute or breakdown in the relationship between the Company and counterparties to its contracts including the licensors for its technologies, could adversely impact the business if the Company is in breach of any of its agreements and its counterparties seek to pursue the Company for breach of contract or enforce security interests against the Company's assets (and conversely the Company depends on such counterparties performing their obligations under such agreement).

2. General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

2.1 Economic risks

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates, access to debt and capital markets, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters, and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions may have an adverse impact on the Company's business or financial condition. No guarantee can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

2.2 Market conditions

An investment in the Company's Shares has the general risks associated with any investment in the share market. Returns from an investment in Shares will depend on general stock market conditions as well as the performance of the Company. The market price of the Company's Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. The trading price of the Company's Shares may be subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, announcements of new contracts by the Company or its competitors, announcements by the Company or its competitors of significant acquisitions, technological developments, capital commitments, additions or departures of key personnel and other events or factors, many of which are beyond the Company's control.

Further, general share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: general economic outlook; interest rates and inflation rates; currency fluctuations; changes in investor sentiment; the demand for, and supply of, capital; and terrorism or other hostilities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

2.3 COVID-19 pandemic

As a result of the COVID-19 pandemic, global credit and investment markets have experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including ASX). This may impact the price at which the Shares trade, regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

2.4 Liquidity risk

The market for the Company's Shares may be illiquid. As a consequence, investors may be unable to readily exit or realise their investment.

2.5 Force majeure

The Company's contracts now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, pandemics, epidemics or quarantine restrictions.

2.6 Taxation and government regulations

Changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards, and taxation law) can have a significant influence on the outlook for companies and the returns to investors. The recoupment of taxation losses accrued by the Company from any future revenues is subject to the satisfaction of tests outlined in taxation legislation or regulations in the jurisdictions in which the Company operates. There is no guarantee that the Company will satisfy all of these requirements at the time it seeks to recoup its tax losses which may impact on the financial performance and cash flows of the Company.

2.7 Litigation risk

The Company is not currently engaged in any litigation. However, the Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow, share price and/or industry standing of the Company.

2.8 Insurance risk

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

3. Concluding comment

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by Arovella or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Arovella.

Your Directors present their report together with the financial statements of Arovella Therapeutics Limited ("Arovella" or "Company") for the financial year ended 30 June 2023. 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. Thomas Duthy, Non-Executive Chairperson (appointed 13 March 2023)
Dr. Elizabeth Stoner, Non-Executive Director (Interim Chairperson on 1 July 2022, transitioned to Non-Executive Director 13 March 2023)
Dr. Michael Baker, CEO and Managing Director
Mr. David Simmonds, Non-Executive Director
Dr. Debora Barton, Non-Executive Director
Mr. Gary Phillips, Non-Executive Director (appointed 1 July 2022)

Information on directors

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

Dr Thomas Duthy *Non-Executive Chairman*	
Appointed to the Board	13 March 2023
Qualifications	PhD (with commendation) from the University of Adelaide, an MBA from Deakin University, Australian Institute of Company Directors (MAICD) and the Australasian Investor Relations Association (AIRA).
Experience and expertise	Dr Duthy has over 18 years of direct financial markets experience and is the Founder and CEO of Nemean Group Pty Ltd, a boutique corporate advisory and investor relations firm specialising in the life sciences and technology sectors. Tom was the Global Head of Investor Relations & Corporate Development at Sirtex Medical Limited (ASX:SRX), which was sold to CDH Investments in September 2018 for A$1.9 billion and remains the largest medical device transaction in Australian corporate history. Tom spent ten years as a leading sell-side Healthcare & Biotechnology analyst at Taylor Collison Limited, focused mainly on small cap companies.
Interest in shares & options	4,644,444 ordinary shares and 6,521,739 options over ordinary shares.
Other current directorships	Executive Director of Invex Therapeutics Limited (ASX: IXC) Executive Director of Neurotech International Limited (ASX: NTI)
Former directorships in last 3 years	Non-Executive Director of Respiri Limited (ASX:RSH)

Directors (continued)

Information on directors (continued)

Dr Elizabeth Stoner *Non-Executive Director*	
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	763,157 ordinary shares and 7,200,000 options over ordinary shares.
Other current directorships	None
Former directorships in last 3 years	None

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 and 1,600,000 options over ordinary shares.
Other current directorships	None
Former directorships in last 3 years	None

Directors (continued)

Information on directors (continued)

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	5,759,648 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

Dr Debora Barton *Non-Executive Director*	
Appointed to the Board	10 August 2021
Qualifications	MD, Board Certified Medical Oncologist, past and present Chief Medical Officer of cell therapy biotech companies
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 in both large pharmaceutical and small biotech companies, 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 4,800,000 options over ordinary shares.
Other current directorships	None
Former directorships in last 3 years	None

Directors (continued)

Information on directors (continued)

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	722,222 ordinary shares and 1,600,000 options over ordinary shares.
Other current directorships	CEO & Managing Director of Pharmaxis Ltd (ASX: PXS)
Former directorships in last 3 years	None

Company secretary

Phillip Hains is a Chartered Accountant operating a specialist public practice, The CFO Solution, now part of Acclime Australia. 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.

Principal activities

The principal activity of the Company during the year was development of its invariant Natural Killer T (iNKT) cell platform for treatment of cancer.

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 14 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 12 July 2023, 49,241,018 ordinary shares were issued at $0.045 each, as a result of the oversubscribed Share Purchase Plan ("SPP") as announced on 11 July 2023.
- In August the cashless exercise facility was utilised to convert 1,900,000 options into 565,105 shares, and a further 500,000 options cancelled.
- On 24 August 2023, 2,250,000 ordinary shares were issued at $0.04 each; 3,043,478 unlisted options were issued with an exercise price of $0.04 each expiring 22 August 2028; and 3,478,261 unlisted options were issued with an exercise price of $0.032 each expiring 22 August 2028, to Dr Thomas Duthy as approved by shareholders at the Extraordinary General Meeting ("EGM") on 23 August 2023.

No other matters or circumstances have arisen since 30 June 2023 that has 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 14 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		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Dr. Thomas Duthy	3	3	-	-	1	1
Dr. Michael Baker	12	12	3	3	2	2
Mr. David Simmonds	12	12	3	3	2	2
Dr. Debora Barton	12	12	3	3	2	2
Dr. Elizabeth Stoner	12	12	3	3	2	2
Mr. Gary Phillips	12	12	3	3	2	2

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 2023. 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 Company.

(a) Key management personnel covered in this report

Directors

Dr. Thomas Duthy, Non-Executive Chairman (appointed 13 March 2023)
Dr. Elizabeth Stoner, Non-Executive Director (Interim Chairperson on 1 July 2022, transitioned to Non-Executive Director 13 March 2023)
Dr. Michael Baker, CEO and Managing Director
Mr. David Simmonds, Non-Executive Director
Dr. Debora Barton, Non-Executive Director
Mr. Gary Phillips, Non-Executive Director (appointed 1 July 2022)

Key Management Personnel

Dr. Nicole van der Weerden (appointed 1 January 2023)

(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 Remuneration, Nomination and HR 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 Remuneration, Nomination and HR 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.

Remuneration report (audited) (continued)

(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.

	2023	2022	2021	2020	2019
Revenue	405,898	295,810	257,347	532,690	1,219,083
Net loss	(10,181,351)	(8,620,588)	(5,047,465)	(9,935,595)	(7,795,039)
Share price at year-end	0.050	0.023	0.057	0.031	0.003
Market capitalisation ($ mil)	42.50	15.41	27.41	4.41	10.67

(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 Extraordinary General Meeting held on 21 April 2023 when shareholders approved an aggregate remuneration of $650,000 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 Remuneration and Nomination 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 28.

(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);

Remuneration report (audited) (continued)

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

(ii) Variable Remuneration (continued)

(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.

(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 Remuneration and Nomination 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.

Remuneration report (audited) (continued)

(h) Employment Contracts

The details of the Directors' and Key Management Personnel employment contracts are:

Directors	**Period of notice**
Thomas Duthy	Nil
Gary Phillips	Nil
David Simmonds	Nil
Michael Baker	3 months
Debora Barton	Nil
Elizabeth Stoner	Nil
Key Management Personnel	
Nicole van der Weerden	3 months

Remuneration report (audited) (continued)

(i) Remuneration of KMP

2023	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees $	Bonus $	Non-monetary benefits $	Super-annuation $	Long service leave* $	Options $	Total $
Directors							
Thomas Duthy[1]	26,667	-	-	2,933	-	-	29,600
Elizabeth Stoner	104,004	-	-	-	-	137,963	241,967
Michael Baker[2]	325,000	69,713	3,120	27,500	5,414	97,280	528,027
David Simmonds	40,000	-	-	4,200	-	34,339	78,539
Debora Barton	59,190	-	-	-	-	85,900	145,090
Gary Phillips[5]	40,000	-	-	-	-	34,339	74,339
Other key management personnel							
Nicole van der Weerden[3,4]	150,000	33,750	11,109	13,750	63	26,091	234,763
Total key management personnel compensation	**744,861**	**103,463**	**14,229**	**48,383**	**5,477**	**415,912**	**1,332,325**

1. Dr Thomas Duthy was appointed on 13 March 2023. As announced on 13 March 2023, his first year director fees are payable in equity, subject to shareholder approval.
2. Dr Michael Baker had bonus payables of $69,713 as at 30 June 2023.
3. Dr Nicole van der Weerden had bonus payables of $33,750 as at 30 June 2023.
4. Dr Nicole van der Weerden was appointed 1 January 2023.
5. Mr Gary Phillips was appointed 1 July 2022.

2022	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees $	Bonus $	Non-monetary benefits $	Super-annuation $	Long service leave* $	Options $	Total $
Directors							
Paul Hopper[1]	80,000	-	-	-	-	63,784	143,784
Michael Baker[4]	302,500	-	16,111	35,000	3,280	247,460	604,351
David Simmonds	40,000	-	-	4,000	-	-	44,000
Elizabeth Stoner[6]	36,735	-	-	-	-	26,541	63,276
Debora Barton[5]	45,893	-	-	-	-	26,120	72,013
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. Dr Michael Baker was entitled to a bonus payable in equity, subject to shareholder approval, of $60,300 at 30 June 2022.
5. Dr Debora Barton was appointed on 10 August 2021.
6. Dr Elizabeth Stoner was appointed on 10 November 2021.

Remuneration report (audited) (continued)

(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:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**%**	%	**%**	%
Directors						
Thomas Duthy[1]	**100**	-	**-**	-	**-**	-
Elizabeth Stoner[6]	**43**	58	**-**	-	**57**	42
Michael Baker	**68**	59	**13**	-	**19**	41
David Simmonds	**56**	100	**-**	-	**44**	-
Debora Barton[5]	**41**	64	**-**	-	**59**	36
Gary Phillips[4]	**54**	-	**-**	-	**46**	-
Paul Hopper[2]	**-**	56	**-**	-	**-**	44
David Phillips[3]	**-**	100	**-**	-	**-**	-
Other KMP						
Nicole van der Weerden[7]	**75**	-	**14**	-	**11**	-

1. Dr Thomas Duthy was appointed 13 March 2023.
2. Mr Paul Hopper resigned on 30 June 2022.
3. Mr David Phillips resigned on 14 January 2022.
4. Mr Gary Phillips was appointed 1 July 2022.
5. Dr Debora Barton was appointed on 10 August 2021.
6. Dr Elizabeth Stoner was appointed on 10 November 2021.
7. Dr Nicole van der Weerden was appointed 1 January 2023.

Remuneration report (audited) (continued)

(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 ($)	No. of options	Value per options at grant date ($)
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	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
2022-11-17	2022-11-17	2027-12-14	0.0310	10,400,000	0.0215
2023-01-01	2023-01-01	2026-12-31	0.0350	1,026,315	0.0146
2023-01-01	2024-01-01	2026-12-31	0.0350	1,026,315	0.0146
2023-01-01	2025-01-01	2026-12-31	0.0350	1,026,315	0.0146
				29,078,945	

Remuneration report (audited) (continued)

(k) Shareholdings of Key Management Personnel

2023	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]
Thomas Duthy[4]	1,950,000	-	-	-	1,950,000
Elizabeth Stoner	263,157	-	-	500,000	763,157
Michael Baker	2,256,140	1,586,842	-	1,250,000	5,092,982
David Simmonds	513,157	-	-	-	513,157
Debora Barton	263,157	-	-	-	263,157
Gary Phillips[5]	-	-	-	500,000	500,000
Nicole van der Weerden[6]	100,000	-	-	722,222	822,222
Total	**5,345,611**	**1,586,842**	**-**	**2,972,222**	**9,904,675**

[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.
[4] Dr Thomas Duthy was appointed 13 March 2023.
[5] Mr Gary Phillips was appointed 1 July 2022.
[6] Dr Nicole van der Weerden was appointed 1 January 2023.

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

[1.] Mr Paul Hopper resigned on 30 June 2022.
[2.] Mr David Phillips resigned on 14 January 2022.
[3.] Dr Debora Barton was appointed on 10 August 2021.
[4.] Dr Elizabeth Stoner was appointed on 10 November 2021.

Remuneration report (audited) (continued)

(I) Option holdings of Key Management Personnel

2023	Balance at start of the year[1]	Granted as compensation	Exercised	Other changes[2]	Balance at end of the year[3]	Vested and exercisable
Thomas Duthy[6]	-	-	-	-	-	-
Elizabeth Stoner	2,400,000	4,800,000	-	-	7,200,000	6,400,000
Michael Baker	10,800,000	-	-	-	10,800,000	10,800,000
David Simmonds	-	1,600,000	-	-	1,600,000	1,600,000
Debora Barton	2,400,000	2,400,000	-	-	4,800,000	4,000,000
Gary Phillips[4]	-	1,600,000	-	-	1,600,000	1,600,000
Nicole van der Weerden[5]	-	3,078,946	-	-	3,078,946	1,026,315
Total	**15,600,000**	**13,478,946**	**-**	**-**	**29,078,946**	**25,426,315**

[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] Mr Gary Phillips was appointed 1 July 2022.
[5] Dr Nicole van der Weerden was appointed 1 January 2023.
[6] Dr Thomas Duthy was appointed 13 March 2023.

2022	Balance at start of the year	Granted as compensation	Exercised	Other changes*	Balance at end of the year	Vested and exercisable
Paul Hopper[2]	1,693,334	6,000,000	-	-	7,693,334	3,693,334
Michael Baker[1]	2,800,000	8,000,000	-	-	10,800,000	4,800,000
David Simmonds	-	-	-	-	-	-
Elizabeth Stoner[5]	-	2,400,000	-	-	2,400,000	-
Debora Barton[4]	-	2,400,000	-	-	2,400,000	-
David Phillips[3]	-	-	-	-	-	-
Total	**4,493,334**	**18,800,000**	**-**	**-**	**23,293,334**	**8,493,334**

[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.] Mr Paul Hopper resigned on 30 June 2022.
[3.] Mr David Phillips resigned on 14 January 2022.
[4.] Dr Debora Barton was appointed on 10 August 2021.
[5.] Dr Elizabeth Stoner was appointed on 10 November 2021.

Remuneration report (audited) (continued)

(m) Transactions and balances with Key Management Personnel

	2023	2022
	$	$
Dr Thomas Duthy - Director Fee and Super payable	**29,600**	-
Dr Michael Baker - bonus payable[1]	**69,713**	60,300
Dr Nicole van der Weerden - bonus payable	**33,750**	-
	133,063	60,300

[1] Bonus paid to Michael Baker in 2022 was through issuance of equity approved by shareholders.

[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 2023.

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

Dr. Thomas Duthy
Non-Executive Chairman
Adelaide
31 August 2023

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 2023, 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
31 August 2023

B G McVeigh
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 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 2023.

Arovella Therapeutics Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Notes	**2023** **$**	2022 $
Revenue from contracts with customers	1(b)	**405,898**	295,810
Cost of sales		**(203,520)**	(207,056)
Gross profit		**202,378**	88,754
Other income	1(c)(ii)	**1,048,763**	-
Interest income	1(c)(i)	**30,020**	3,845
Depreciation and amortisation expense	1(c)(iii)	**(837,177)**	(551,488)
Employee benefits expenses		**(1,499,037)**	(1,322,038)
Finance costs	1(c)(iv)	**(20,674)**	(194,720)
Impairment of intangible assets	10	**(1,558,721)**	(833,271)
Other expenses	1(c)(v)	**(3,562,786)**	(3,215,555)
Research cost		**(3,984,117)**	(2,596,115)
Loss before income tax		**(10,181,351)**	(8,620,588)
Loss before income tax from continuing operations		**(10,181,351)**	(8,620,588)
Income tax expense	2	**-**	-
Loss for the year		**(10,181,351)**	(8,620,588)
Other comprehensive income			
Total comprehensive loss for the year		**(10,181,351)**	(8,620,588)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	4(b)	**(1.43)**	(1.57)

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

Arovella Therapeutics Limited
Statement of Financial Position
As at 30 June 2023

	Notes	**2023** **$**	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**5,175,338**	6,070,967
Trade and other receivables	6	**10,241**	36,290
Other current assets	7	**235,516**	480,339
Total current assets		**5,421,095**	6,587,596
Non-current assets			
Property, plant and equipment	8	**49,864**	266,061
Right-of-use assets	9	**-**	105,412
Intangible assets	10	**-**	2,253,271
Total non-current assets		**49,864**	2,624,744
Total assets		**5,470,959**	9,212,340
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,225,514**	815,525
Contract liabilities	1(b)	**153,000**	341,684
Provisions	12	**303,134**	284,045
Borrowings		**-**	1,122
Lease liabilities	9	**-**	66,228
Total current liabilities		**1,681,648**	1,508,604
Non-current liabilities			
Provisions	12	**9,220**	9,300
Lease liabilities	9	**-**	77,454
Total non-current liabilities		**9,220**	86,754
Total liabilities		**1,690,868**	1,595,358
Net assets		**3,780,091**	7,616,982
EQUITY			
Issued capital	13	**88,871,656**	83,536,397
Reserves		**1,963,833**	1,105,098
Accumulated losses		**(87,055,398)**	(77,024,513)
Total equity		**3,780,091**	7,616,982

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

Arovella Therapeutics Limited
Statement of Changes in Equity
For the year ended 30 June 2023

	Notes	Attributable to owners of Arovella Therapeutics Limited			
		Issued capital	**Accumulated losses**	**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 period		**-**	**(8,620,588)**	**-**	**(8,620,588)**
Shares issued during the period		7,183,790	-	-	7,183,790
Share issue costs		(650,740)	-	-	(650,740)
Options issued/expensed		-	-	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**

	Notes	**Issued capital**	**Accumulated losses**	**Reserve**	**Total equity**
		$	**$**	**$**	**$**
Balance at 1 July 2022		83,536,397	(77,024,513)	1,105,098	7,616,982
Loss for the year		-	(10,181,351)	-	(10,181,351)
Total comprehensive loss for the year		-	(10,181,351)	-	(10,181,351)
Shares issued during the year	13(a)	5,940,937	-	-	5,940,937
Share issue costs	13(a)	(605,678)	-	-	(605,678)
Equity settled share-based payments		-	-	284,173	284,173
Options issued/expensed		-	-	332,822	332,822
Issue of options to consultants		-	-	21,610	21,610
Issue of options to broker		-	-	143,161	143,161
Issue of options to Key Management Personal		-	-	26,091	26,091
Options lapsed during the period	13(b)	-	150,466	(150,466)	-
Options exercised		-	-	(21,858)	(21,858)
Options issue to directors		-	-	223,202	223,202
Balance at 30 June 2023		**88,871,656**	**(87,055,398)**	**1,963,833**	**3,780,091**

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

Arovella Therapeutics Limited
Statement of Cash Flows
For the year ended 30 June 2023

	Notes	**2023** **$**	2022 $
Cash flows from operating activities			
Receipts from customers		**243,263**	437,494
Payments to suppliers and employees		**(7,699,022)**	(7,048,845)
Interest paid		**(4,735)**	(15,259)
Government grants and tax incentives		**1,048,763**	524,042
Interest received		**30,020**	3,845
Finance costs		**(15,939)**	(169,522)
Net cash (outflow) from operating activities	5(b)	**(6,397,650)**	(6,268,245)
Cash flows from investing activities			
Payments for property, plant and equipment		**(2,716)**	(35,026)
Proceeds from sale of property, plant and equipment		**98,132**	-
Payments for intangible assets		**-**	(530,972)
Net cash inflow / (outflow) from investing activities		**95,416**	(565,998)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**5,478,420**	6,256,211
Principal elements of lease payments		**(71,815)**	(68,199)
Net cash inflow from financing activities		**5,406,605**	6,188,012
Net (decrease) in cash and cash equivalents		**(895,629)**	(646,231)
Cash and cash equivalents at the beginning of the financial year		**6,070,967**	6,717,198
Cash and cash equivalents at the end of the financial year	5(a)	**5,175,338**	6,070,967

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

Contents of the notes to the 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.

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.

1 Revenue and expenses (continued)

(a) Accounting policy (continued)

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.

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.

1 Revenue and expenses (continued)

(b) Revenue from contracts with customers

	2023 **$**	2022 $
Sales revenue from contracts with customers		
License and supply agreements and research and development projects	**405,898**	295,810

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 $153,000 for the year ended 30 June 2023 (2022: $341,684).

	2023 **$**	2022 $
At a point in time		
Licence and supply agreements	**217,214**	295,810
Over time		
Research and development income	**188,684**	-
Total revenue	**405,898**	295,810

(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.

	2023 **$**	2022 $
Interest income	**30,020**	3,845

(ii) Other income

	2023 **$**	2022 $
R&D Tax Incentive*	**1,048,763**	-

* 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. As of 30 June 2023, $1,048,763 was recognised for the R&D expenses spent in the financial year ended 30 June 2022. No amount has been recognised for the for the R&D expenses spent in the financial year ended 30 June 2023 as it has not met the recognition criteria.

1 Revenue and expenses (continued)

(c) Other Income and Expenses (continued)

(iii) Depreciation and amortisation

	2023 **$**	2022 $
Depreciation	**100,724**	135,614
Depreciation charge of right-of-use assets	**41,903**	60,238
Amortisation	**694,550**	355,636
	837,177	551,488

(iv) Finance income and costs

	2023 **$**	2022 $
Finance costs*	**15,939**	169,522
Interest expense	**4,735**	25,198
	20,674	194,720

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

(v) Other expenses

	2023 **$**	2022 $
Other expenses		
Share-based payment expense	**866,041**	581,676
Legal fees	**91,909**	120,285
Professional fees	**490,447**	444,597
Patent and trademark costs	**147,383**	382,888
General and administrative	**738,414**	889,438
Investor relation costs	**433,403**	277,341
Audit and accounting fees	**346,406**	252,685
Insurances	**231,972**	188,316
Travel costs	**216,811**	78,329
Total other expenses	**3,562,786**	3,215,555

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:

	2023 **$**	2022 $
Loss from continuing operations before income tax expense	**(10,181,354)**	(8,620,588)
Tax at the Australian tax rate of 25% (2022 - 25%)	**(2,545,339)**	(2,155,147)
Expenditure not allowed for income tax purposes	**217,364**	147,655
Non-assessable Research & Development Income	**(262,191)**	-
Deferred Tax Asset (Liability) movement not brought to account	**-**	279,915
Deferred Tax Asset losses not brought to account	**5,054,012**	1,727,577
Deferred Tax Asset temporary differences not brought to account	**(2,463,846)**	-
Income tax expense	**-**	-

The tax rate used in the above reconciliation is the corporate tax rate of 25% (2022: 25%) payable by Australian corporate entities on taxable profits under Australian tax law.

(c) Amounts recognised directly in equity

	2023 **$**	2022 $
Unrecognised deferred tax balances of Australian income tax:		
Unrecognised deferred tax asset – revenue losses	**16,279,973**	11,841,890
Unrecognised deferred tax asset – capital losses	**1,553,943**	1,553,943
Unrecognised deferred tax asset – other	**1,205,708**	3,588,700
Unrecognised deferred tax equity	**291,196**	260,595
Unrecognised deferred tax liabilities	**(189,360)**	(230,521)
Net unrecognised deferred tax asset	**19,141,460**	17,014,607

3 Segment reporting

(a) Accounting policy

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 the principal activity of the Company during the year was pharmaceutical development of its invariant Natural Killer T (iNKT) cell platform for treatment of cancer.

4 Loss per share

(a) Accounting policy

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

	2023 Cents	2022 Cents
Basic/diluted loss per share	**(1.43)**	(1.57)

(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:

	2023 $	2022 $
Loss for the year		
From continuing operations	**(10,181,351)**	(8,620,588)

Weighted average number of shares used as the denominator

	2023 Number	2022 Number
Weighted average number of ordinary shares for the purpose of basic/diluted loss per share	**711,483,401**	549,623,838

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

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.

	2023 **$**	2022 $
Cash and cash equivalents	**5,175,338**	6,070,967

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	**2023** **$**	2022 $
Loss for the year		**(10,181,351)**	(8,620,588)
Adjustments for non-cash items:			
Impairment of intangible assets	10	**1,558,721**	833,271
Share-based payments		**866,041**	581,676
Lease nominal payment		**(71,815)**	(68,199)
Property, plant and equipment written off		**-**	14,254
Other non-cash expenses		**78,778**	67,755
Other non-cash expenses in lieu of cash		**-**	418,000
AASB 16 lease interest		**4,735**	25,198
Depreciation		**142,627**	195,852
Amortisation		**694,550**	355,636
Change in operating assets and liabilities:			
Movement in trade receivables		**26,049**	497,347
Movement in trade and other payables		**221,305**	(269,690)
Movement in other provisions		**17,887**	89,273
Movement in other current assets		**244,823**	(388,030)
Net cash outflow from operating activities		**(6,397,650)**	(6,268,245)

6 Trade and other receivables

(a) Accounting policy

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 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.

	2023	2022
	$	$
Trade receivables [(i)]	**10,241**	36,290

(i) 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.

	2023	2022
	$	$
Ageing of past due but not impaired		
30 - 60 days	**-**	36,290
90 - 120 days	**-**	-
120 days +	**10,241**	-
Total	**10,241**	36,290

(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 2023 and 30 June 2022 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.

6 Trade and other receivables (continued)

(b) Expected credit losses (continued)

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.

	2023	2022
	$	$
Accrued income	**37**	13
Prepayments	**33,111**	58,905
Deferred expense[1]	**202,368**	421,421
	235,516	480,339

[1] Deferred Expenses are cash paid amounts that represent costs already incurred but not yet consumed. Deferred expenses are recorded as an asset until such time as the underlying goods or service is consumed. The period is for 12 months and are consumed monthly.

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 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)
Disposal/Written off	(14,254)	(14,254)
Closing carrying value	266,061	266,061
At 30 June 2023		
Cost or fair value	254,480	254,480
Accumulated depreciation	(204,616)	(204,616)
Net book amount	49,864	49,864
Year ended 30 June 2023		
Opening net book amount	266,061	266,061
Additions	2,716	2,716
Depreciation charge	(100,724)	(100,724)
Disposal/Written off	(118,189)	(118,189)
Closing carrying value	49,864	49,864

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.

9 Leases (continued)

(a) Accounting policy (continued)

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.

(b) Amounts recognised in the Statement of financial position

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

	2023 **$**	2022 $
Right-of-use assets		
Properties	**-**	105,412

	2023 **$**	2022 $
Lease liabilities		
Current	**-**	66,228
Non-current	**-**	77,454
	-	143,682

As announced on 26 October 2022, the Company intends to close its Perth-based OroMist research and development facility and it further announced on 1 May 2023 that the shut down process has been completed. As part of the shut down process, the Company has not renewed its lease contract in Perth and has written off the remaining right-of-use assets and corresponding lease liabilities.

9 Leases (continued)

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

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

	2023 **$**	2022 $
Depreciation charge of right-of-use assets	**41,903**	60,238

	2023 **$**	2022 $
Interest expense	**4,735**	25,198

The total cash outflow for leases in 2023 was $71,815 (2022: $68,199).

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.

10 Intangible assets (continued)

(a) Accounting policy (continued)

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).

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.

10 Intangible assets (continued)

	Patents $	Development costs $	Total $
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
Year ended 30 June 2023			
Opening carrying value	132,358	2,120,913	2,253,271
Impairment	(132,358)	(1,426,363)	(1,558,721)
Amortisation	-	(694,550)	(694,550)
Closing carrying value	-	-	-

In the current year, the Company decided not to commit further resources into the oral spray projects, as the Company has made the strategic decision to close its Perth R&D facility and due to slower uptake in the current market for ZolpiMist. This has created uncertainty regarding any future revenue to the Company from this license agreement. The carrying value of the oral spray projects at reporting date has been fully impaired resulting in an impairment expense of $1,558,721 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.

	2023 $	2022 $
Current		
Trade payables	**772,971**	751,909
Sundry payables and accrued expenses	**452,543**	63,616
	1,225,514	815,525

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	**2023 $**	2022 $
Performance pay provision	**244,266**	181,943
Provision for annual leave	**58,868**	86,655
Long service leave provision	**-**	15,447
	303,134	284,045

Non-current employee benefits provision	**2023 $**	2022 $
Long service leave provision	**9,220**	9,300

13 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.

	2023 Shares	**2023 $**	2022 Shares	2022 $
Ordinary shares				
Fully paid	**849,908,680**	**88,871,656**	669,835,226	83,536,397
Total issued capital	**849,908,680**	**88,871,656**	669,835,226	83,536,397

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.

13 Share capital (continued)

Movements in ordinary shares on issue

Details	Number of shares	Total $
Balance 1 July 2021	480,819,986	77,003,347
Exercise of listed options (November 2021)[1]	100,894	5,045
Share issue (February 2022)	120,230,220	4,568,748
Share issue (March 2022)	52,842,026	2,007,997
Share issue (March 2022)	4,210,522	160,000
Share issue in lieu of cash (March 2022)	11,000,000	418,000
Share issue (March 2022)	631,578	24,000
Less: Capital raising costs	-	(650,740)
Balance 30 June 2022	669,835,226	83,536,397
Share issue (August 2022)	85,204	4,260
Share issue in lieu of cash (September 2022)	930,378	22,329
Share issue in lieu of cash (December 2022)	166,610	6,331
Share issue in lieu of cash (December 2022)	1,586,842	60,300
Share issue (January 2023)	930,378	22,329
Share issue (January 2023)	71,500,041	1,430,001
Share issue (January 2023)	9,000,000	180,000
Share issue in lieu of cash (March 2023)	1,512,890	45,387
Share issue on exercise of unlisted options (April 2023)[2]	1,000,000	25,000
Share issue (May 2023)	2,250,000	45,000
Share issue (June 2023)	91,111,111	4,100,000
Less: Capital raising costs	-	(605,678)
Balance 30 June 2023	849,908,680	88,871,656

1. 100,894 options were exercised on 11 November 2021 with cash consideration, resulting in an issue of shares 1:1.
2. 1,000,000 options were exercised on 21 April 2023 with cash consideration, resulting in an issue of shares 1:1.

13 Share capital (continued)

(b) Accounting policy - share options

The Company has two share-based payment option schemes under which options to subscribe for the Company's shares have been granted to certain Directors, Key Management Personnel and other employees. Refer to Note 15 for the accounting policy on these share options.

Movements in share options

	2023		2022	
	Number of options	**Exercise price $**	**Number of options**	**Exercise price $**
Balance at beginning of year	**95,376,136**	**0.0567**	**58,267,596**	**0.3507**
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
Exercise of listed options	(85,204)	0.0500		
Expired listed options	(47,323,280)	0.0500		
Unlisted options issued during the year	2,500,000	0.0690		
Unlisted options issued during the year	10,400,000	0.0310		
Unlisted options expired during year	(4,000,000)	0.0500		
Unlisted options issued during the year	10,000,000	0.0250		
Unlisted options issued during the year	5,000,000	0.0300		
Unlisted options expired during year	(2,209,218)	0.0720		
Unlisted options issued during the year	3,078,946	0.0350		
Unlisted options issued during the year	1,200,000	0.0250		
Unlisted options exercised during the year	(1,000,000)	0.0250		
Unlisted options issued during the year	3,000,000	0.0340		
Unlisted options issued during the year	8,145,000	0.0675		
Balance as at 30 June	**84,173,380**	**0.0508**	**95,376,136**	**0.0567**

13 Share capital (continued)

The following share-based payment arrangements for Directors, Key Management Personnel, consultants and other employees were in place during the current year. Refer to Note 15 for further infomation.

Grant date	Expiry date	Exercise price ($)	No. of options	Share price at grant date ($)	Expected volatility	Dividend yield	Risk- free interest rate	Fair value at grant date ($)
2022-09-15	2026-09-15	0.0690	2,500,000	0.026	119.31%	0.00%	3.37%	36,011
2022-11-17	2027-11-17	0.0310	10,400,000	0.025	133.10%	0.00%	3.34%	223,202
2023-01-01	2026-12-31	0.0350	3,078,946	0.023	100.00%	0.00%	3.51%	45,000
2023-01-01	2025-12-31	0.0250	1,200,000	0.031	100.00%	0.00%	3.37%	24,996
2023-01-10*	2026-02-17	0.0250	9,000,000	0.032	101.28%	0.00%	3.49%	196,712
2023-02-09	2026-02-15	0.0300	5,000,000	0.032	100.77%	0.00%	3.49%	103,682
2023-04-19	2027-04-18	0.0340	3,000,000	0.067	135.58%	0.00%	3.18%	178,004
2023-06-07	2025-06-26	0.0675	8,145,000	0.0450	90.09%	0.00%	4.08%	143,161
			42,323,946					

* 1,000,000 options were exercised on 21 April 2023 with cash consideration, resulting in an issue of shares 1:1.

There were 84,173,380 (2022: 95,376,136) share options outstanding at the end of the year with a weighted average exercise price of $0.0357 (2022: $0.0567) and a weighted average remaining contractual life of 955 days (2022: 494 days).

14 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 15 for further details of these plans.

15 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.

15 Share-based payments (continued)

(a) Accounting policy (continued)

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.

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.

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; 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 Continuous employment.

The average 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 using a cashless exercise facility.

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).

15 Share-based payments (continued)

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

	2023		2022	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of year	16,771,050	0.06	4,640,000	0.12
Granted during the year	14,478,946	0.03	13,971,050	0.06
Lapsed during the year	-	-	-	-
Expired during the year	-	-	(1,840,000)	0.16
Outstanding at the end of year	31,249,996	0.05	16,771,050	0.06
Exercisable at the end of year	19,910,699	0.05	6,742,192	0.07

16 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.

(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.

16 Financial instruments (continued)

(c) Subsequent measurement of financial assets (continued)

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.

(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).

16 Financial instruments (continued)

(f) Classification and measurement of financial liabilities (continued)

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 2022.

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	**2023 $**	2022 $
Financial assets			
Cash and cash equivalents	5	**5,175,338**	6,070,967
Trade and other receivables	6	**10,241**	36,290
		5,185,579	6,107,257
Financial liabilities			
Trade and other payables	11	**772,971**	751,909
Accruals	11	**452,543**	63,616
Borrowings		**-**	1,122
Lease liabilities	9	**-**	143,682
		1,225,514	960,329

(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.

16 Financial instruments (continued)

(i) Market risk (continued)

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. 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 2023			30 June 2022		
	GBP	**EUR**	**USD**	GBP	EUR	USD
	$	**$**	**$**	$	$	$
Liabilities	**(12,272)**	**-**	**(562,578)**	206,966	121,676	219,951
Assets	**159,481**	**-**	**23,268**	415,501	-	67,510

(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.

16 Financial instruments (continued)

(k) Foreign currency sensitivity analysis (continued)

	Profit		Equity	
	2023	2022	**2023**	2022
	$	$	**$**	$
+/- 5% in AUD/GBP	**(7,360)**	(10,427)	**7,360**	10,427
+/- 5% in AUD/EUR	**-**	6,084	**-**	(6,084)
+/- 5% in AUD/USD	**26,955**	7,622	**(26,955)**	(7,622)

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

Interest rate risk is the risk that a financial instrument's value will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risks via cash and cash equivalents that it holds. The objective is to minimize the Company's exposure to fluctuations that might impact its interest, revenue, and cash flow.

To manage interest rate risk, the Company locks a portion of its cash and cash equivalents into term deposits. The maturity of term deposits is determined based on the Company's cash flow forecast.

Interest rate risk is considered when placing funds on term deposits versus keeping funds in the operating account. This consideration also takes into account the costs associated with breaking a term deposit should early access to cash and cash equivalents be required.

(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.

(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.

17 Commitments and contingencies

As of 30 June 2023, the Company has research and development commitments of approximately $1.42 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. 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.

18 Related party disclosure

Transactions with Key Management Personnel

Refer to Note 21 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.

19 Events occurring after the reporting period

The following occurred after the Balance Date:

- On 6 July Arovella completed its share purchase plan “SPP” that was announced on 7 June 2023. The “SPP” was oversubscribed and raised a total of $2.2 million, the company has elected to accept the oversubscription in full. A total of 49,241,018 shares was issued on 12 July 2023 to the participants.
- In August the cashless exercise facility was utilised to convert 1,900,000 options into 565,105 shares, and a further 500,000 options cancelled.
- On 24 August 2023, 2,250,000 ordinary shares were issued at $0.04 each; 3,043,478 unlisted options were issued with an exercise price of $0.04 each expiring 22 August 2028; and 3,478,261 unlisted options were issued with an exercise price of $0.032 each expiring 22 August 2028, to Dr Thomas Duthy as approved by shareholders at the Extraordinary General Meeting ("EGM") on 23 August 2023.

No other matters or circumstances have arisen since 30 June 2023 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

20 Remuneration of auditors

The auditor of Arovella Therapeutics Limited is HLB Mann Judd.

	2023	2022
	$	$
Audit and review of financial statements	**72,500**	63,500
Total remuneration for audit and other assurance services	**72,500**	63,500

21 Directors and executives disclosures

Details of Key Management Personnel

Directors

Dr. Thomas Duthy	Non-Executive Chairperson (appointed 13 March 2023)
Dr. Michael Baker	CEO and Managing Director
Dr. Debora Barton	Non-Executive Director
Mr. Gary Phillips	Non-Executive Director (appointed 1 July 2022)
Mr. David Simmonds	Non-Executive Director
Dr. Elizabeth Stoner	Non-Executive Director (Interim Chairperson on 1 July 2022, transitioned to Non-Executive Director 13 March 2023)

Employment Contracts

The details of the Directors' and Key Management Personnel employment contracts are:

Directors	**Period of notice**
Thomas Duthy	Nil
Gary Phillips	Nil
David Simmonds	Nil
Michael Baker	3 months
Debora Barton	Nil
Elizabeth Stoner	Nil
Key Management Personnel	
Nicole van der Weerden	3 months

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

Transactions and balances with Key Management Personnel	**2023 $**	2022 $
Dr Michael Baker - bonus payable	**69,713**	60,300
Dr Nicole van der Weerden - bonus payable	**33,750**	-
Dr Thomas Duthy - Director Fee and Super payable	**29,600**	-
	133,063	60,300

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

	2023 $	2022 $
Short-term employee benefits	**862,553**	592,906
Post-employment benefits	**48,383**	41,167
Long-term benefits	**5,477**	3,280
Share-based payments	**415,912**	363,905
	1,332,325	1,001,258

22 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 The principal activity of the Company during the year was pharmaceutical development invariant Natural Killer T (iNKT) cell platform for cancer treatment.

(a) Statement of compliance

The financial report was authorised for issue on 31 August 2023.

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 2023, 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.

New Standard and Interpretations in issue not yet adopted

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 2023. 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) 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.

22 Basis of preparation (continued)

(c) Significant accounting estimates and judgements (continued)

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.

(d) 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 $10,181,351 (2022: $8,620,588) and had operating cash outflows of $6,397,650 for the year ended 30 June 2023 (2022: $6,268,245). As at 30 June 2023, the Company held cash and cash equivalents of $5,175,338 (2022: $6,070,967). 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 FY2024.
- Based on prior experience, the Directors are confident that they can raise additional capital if and when required.
- On 12 July 2023, 49,241,018 ordinary shares were issued at $0.045 each, as a result of the oversubscribed Share Purchase Plan ("SPP") as announced on 11 July 2023.

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.

Arovella Therapeutics Limited
Directors' declaration
30 June 2023

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 2023 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 2023.

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

Dr. Thomas Duthy
Non-Executive Chairman
Adelaide
31 August 2023

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 2023, 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 2023 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 Related to Going Concern

We draw attention to Note 22(d) 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 Related to Going Concern* section, 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	
Intangible assets balance of $2,253,271 at the beginning of the year related to intellectual property acquired separately and internally generated intangibles. During the current period indicators of impairment arose and a total impairment charge of $1,558,721 as well as amortisation of $694,550 relating project and patents has been recorded during the year ended 30 June 2023. 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. Activities relating to iNKT cell therapy platform, continue to be expensed until economic feasibility can be determined. This is considered a key audit matter because this represents the key activities of the company and is a significant balance in the statement of comprehensive income 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 2023, 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, actions taken to eliminate threats or safeguards applied.

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 2023.

In our opinion, the Remuneration Report of Arovella Therapeutic Limited for the year ended 30 June 2023 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

B M Vy/1.

B G McVeigh
Partner

Perth, Western Australia
31 August 2023

The shareholder information set out below was applicable as at 24 August 2023

A. Distribution of equity securities

Holding	Number No. of Holders
1 - 1000	699
1,001 - 5,000	613
5,001 - 10,000	430
10,001 - 100,000	1,669
100,001 and over	891
	4,302

There were 1,744 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

Name	Ordinary shares	
	Number held	Percentage of issued shares
THE TRUST COMPANY (AUSTRALIA) LIMITED <MBF A/C>	55,135,161	6.13
MANN BEEF PTY LTD	39,555,555	4.40
UBS NOMINEES PTY LTD	20,620,196	2.29
BLACKBURNE CAPITAL PTY LTD <BLACKBURNE CAPITAL A/C>	19,175,000	2.13
DYLIDE PTY LTD	15,666,666	1.74
MANN BEEF PTY LTD <LOCHWALL SUPER FUND A/C>	11,350,102	1.26
M & M STOCK ONE PTY LTD <THE M & M STOCK ONE A/C>	11,201,081	1.25
KAMALA HOLDINGS PTY LTD <THE KAMALA 1994 S/F A/C>	10,394,286	1.16
MR NEIL DONALD DELROY <THE NDD INVESTMENT A/C>	10,322,222	1.15
MOOVNUP PTY LTD <MOOVNUP A/C>	10,145,462	1.13
WIDERANGE CORPORATION PTY LTD	10,140,789	1.13
MR BRENDAN JOHN MARTIN & MRS SHARON ANN MARTIN <JAKNIC SUPER A/C>	9,564,970	1.06
S3 CONSORTIUM PTY LTD	8,800,000	0.98
THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	8,600,444	0.96
MR MARVIN WENG CHUNG LEONG & MRS TIEN JU YEAP <MARJU SUPER A/C>	7,503,078	0.83
MURRAY JAMES WAY PTY LTD	7,320,472	0.81
MR TIMOTHY WILLIAM COOPER & MRS KELLIE MAREE COOPER	7,255,000	0.81
TRANSMIN PTY LTD	6,948,805	0.77
CITICORP NOMINEES PTY LIMITED	6,542,314	0.73
SHARED OFFICE SERVICES PTY LTD <PHILANNE SUPER A/C>	6,298,245	0.70
	282,539,848	31.42