

1. Company details

| | |
|-------------------|--|
| Name of entity: | NeuroScientific Biopharmaceuticals Limited |
| ABN: | 13 102 832 995 |
| Reporting period: | For the year ended 30 June 2023 |
| Previous period: | For the year ended 30 June 2022 |

2. Results for announcement to the market

| | | | \$ |
|--|------|----------|-------------|
| Income from ordinary activities | up | 7293% to | 5,060,688 |
| Loss from ordinary activities after tax attributable to the owners of NeuroScientific Biopharmaceuticals Limited | down | 89.8% to | (1,068,606) |
| Loss for the year attributable to the owners of NeuroScientific Biopharmaceuticals Limited | down | 89.9% to | (1,068,606) |

Dividends

| | Amount per security Cents | Franked amount per security Cents |
|--|---------------------------|-----------------------------------|
| Final dividend for the year ended 30 June 2022 | Nil | Nil |
| Final dividend for the year ended 30 June 2023 | Nil | Nil |

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|--|------------------------|-----------------------|
| Net tangible assets per ordinary share | 3.50 | 5.17 |

4. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.



5. Attachments

The Annual Report of NeuroScientific Biopharmaceuticals Limited for the year ended 30 June 2023 is attached.

6. Signed

Signed Paul Rennie

Paul Rennie
Chairman
25 August 2023



ANNUAL REPORT

**For Year ended
30 June 2023**



NeuroScientific
BIOPHARMACEUTICALS

CORPORATE DIRECTORY

DIRECTORS

| | |
|----------------------|--------------------------|
| Mr Paul Rennie | (Executive Chairman) |
| Mr Stephen Quantrill | (Non-Executive Director) |
| Dr Anton Uvarov | (Non-Executive Director) |

INTERIM CHIEF EXECUTIVE OFFICER

Mr Paul Rennie

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Ms Abby Macnish Niven

AUDITOR

Nexia Perth Audit Services Pty Ltd
Level 3
88 William Street
Perth WA 6000

SOLICITORS

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

BANKERS

Westpac Banking Corporation
Level 4
Brookfield Place, Tower 2
123 St George's Terrace
Perth WA 6000

REGISTERED OFFICE

Suite 5, 85 Forrest Street
Cottesloe WA 6011

SHARE REGISTRY

Automic Registry Services
Level 5, 191 St Georges Terrace
Perth WA 6000

STOCK EXCHANGE LISTING

The Company's shares are listed and quoted on the
Australian Securities Exchange Limited ("ASX")
ASX code: NSB

WEBSITE ADDRESS:

www.neuroscientific.com

CONTENTS

| | |
|---|-----------|
| CORPORATE DIRECTORY | 2 |
| CHAIRMAN'S ADDRESS | 4 |
| DIRECTORS' REPORT | 6 |
| AUDITOR'S INDEPENDENCE DECLARATION | 28 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 30 |
| STATEMENT OF FINANCIAL POSITION | 31 |
| STATEMENT OF CHANGES IN EQUITY | 32 |
| STATEMENT OF CASH FLOWS | 33 |
| NOTES TO THE FINANCIAL STATEMENTS | 34 |
| DIRECTOR'S DECLARATION | 55 |
| INDEPENDENT AUDITOR'S REPORT | 56 |
| ADDITIONAL SHAREHOLDER INFORMATION | 59 |



CHAIRMAN'S ADDRESS

Dear Shareholder,

It is with great pleasure that I present to you the Annual Report for NeuroScientific Biopharmaceuticals Ltd ('NSB', 'NeuroScientific' or 'the Company') for the year ended 30 June 2023 ("FY2023").

FY2023 has been a year of both challenges and progress for NeuroScientific.

The year began with the initial disappointment of the unsuccessful submission for Human Research Ethics Committee (HREC) approval of its phase I study to evaluate its lead candidate, EmtinB™, for safety and tolerability in a healthy volunteer population. This was closely followed by the resignation of former Managing Director and CEO, Matt Liddelow.

This chain of events, however, provided an opportunity for the team at NeuroScientific to put the EmtinB™ program under the microscope and identify a clear path to clinical trials, and further de-risk the EmtinB™ drug development program. The Company has focused on the systemic program for EmtinB™, using feedback from the unsuccessful phase I clinical trial submission to identify the key pillars of the programme that needed to be addressed for entry into clinic. The three pillars were improvements in local toxicity (safety), EmtinB™ batch purity and further confirmation of therapeutic efficacy. A broad range gap analysis was undertaken utilising NeuroScientific's network of international experts in toxicology, manufacturing and formulation, and regulatory.

Through FY2023, major progress has subsequently been made across these three pillars of focus:

1. Efficacy has been confirmed in a MOG-EAE mouse disease of multiple sclerosis, where EmtinB™ displayed a neuroprotective effect, through a delay in the onset of disease symptoms. More importantly, EmtinB™ at one of the dose levels additionally displayed a significant treatment effect, thereby reconfirming EmtinB™ as effective in a neurodegenerative indication. Separately, synergistic efficacy was identified when EmtinB™ was combined with Teva's Copaxone™ in a key *in vitro* model of multiple sclerosis, leading to an additional patent to be applied for, which is currently pending.
2. The purity of the planned EmtinB™ batch has recently been confirmed by a leading regulatory consultancy as phase appropriate, following independent evaluation of manufacturing data, extensive additional testing and toxicology data. This evaluation suggests that the manufactured product is fit for use in early-phase clinical research activities.
3. A thorough review of toxicology data was performed by two independent toxicologists with US and/or European accreditation. The outcome of this review, combined with a deep evaluation of the drug product formulation used in toxicology studies, identified that the combination of excipients used in the drug product was the likely cause of the injection-site reactions, seen in initial GLP toxicology studies. A great deal of work over the past 9 months has focussed on reformulating EmtinB™ into a drug product that will minimise the risk for local toxicity, and also provide phase-appropriate stability to conduct a phase I clinical trial. During the year, an improved formulation was developed, tested and finally assessed in an *in vivo* toxicity study in dogs. This confirmed a drug product that was safe at the site of injection and provided phase-appropriate stability to EmtinB™.



CHAIRMAN'S ADDRESS (continued)

NeuroScientific is at the exciting stage of reviewing and collating all data collected to date to complete the final steps to allow for a submission to HREC to run a phase I study to assess safety and tolerability of EmtinB™, supporting the multiple sclerosis and systemic neurodegenerative disease program.

A global search for a new CEO with relevant technical and corporate experience is well advanced and the Company looks forward to advising shareholders of an appointment in due course.

I would like to thank all shareholders for their continued support of NeuroScientific and we look forward to achieving our clinical and commercial goals in the coming years and increasing shareholder value.

Yours faithfully



Paul Rennie
Chairman



DIRECTORS' REPORT

The Directors present their report, together with the financial statements of NeuroScientific Biopharmaceuticals Limited (referred to hereafter as the 'Company') for the year ended 30 June 2023.

Directors

The following persons were Directors of NeuroScientific Biopharmaceuticals Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Paul Rennie

Mr Stephen Quantrill

Dr Anton Uvarov

Mr Matthew Liddelow (resigned 9 September 2022)

Principal activities

During the financial year the Company was engaged in the development of therapeutic treatments for neurodegenerative diseases through preclinical and clinical studies of patented technologies.

Dividends

There were no dividends declared or paid during the year.

Operations Review

The Company made a loss of \$1,068,606 (2022: \$10,435,349) for the financial year ended 30 June 2023. Given NeuroScientific is a clinical development company that is pre revenue, it is likely that net losses after tax can be expected in future years as the clinical development of EmtinB™ continues and the Company progresses towards commercialisation of it.

Total income of \$5,060,488 (2022: \$68,450) is higher than the prior corresponding period by \$4,992,038. This is mainly due to higher R&D tax incentive related to R&D expenditure, associated with the research program for EmtinB™ inclusion in the R&D tax incentive scheme in Australia.

Expenditure on research and development decreased on the prior corresponding period by \$3,194,034 to \$4,026,118. The decrease is due to a large spend in the prior year relating to completion of multiple dosing toxicology studies in rats and dogs, as well as a full suite of safety pharmacology studies for EmtinB™ to facilitate the move to a Phase 1 Clinical Trial. Additionally, the Company incurred significant, non-repeatable manufacturing costs in FY2022 in relation to the production of EmtinB™.



DIRECTORS' REPORT (continued)

The current year expenditure of \$4,026,118 includes costs relating to the gap analysis of the EmtinB™ systemic programme to allow the Company to address the issues identified in the unsuccessful application to phase 1 clinical trial in September 2022. The analysis led to additional testings of EmtinB™, an independent review of toxicology studies, the review of EmtinB™ drug product formulation and the initiation of a MOG-EAE induce mouse model of multiple sclerosis study to determine EmtinB™ efficacy in this model.

The Company also continued an early phase clinical trial to exploratorily evaluate the inflammatory modulatory effect of EmtinB™ via ex vivo stimulation of collected human blood samples with final clinical study visits complete as at 30 June 2023.

In addition, in December 2022 the Company filed a new patent application for the combination of EmtinB™ and Copaxone®. This patent, if granted, will provide the opportunity to regain a proprietary position within remitting relapsing multiple sclerosis, with the synergistic effect that has been identified.

In September 2022 the CEO and Managing Director Matt Liddelow resigned and Paul Rennie was appointed as Interim CEO in November 2022. The Company is currently conducting a global search for a new CEO with appropriate technical and corporate experience and hopes to make an appointment during 1H FY 2024.

Financial Position

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

The Company reported a net loss for the period of \$1,068,606 (2022: \$10,435,349) and a cash outflow from operating activities of \$2,304,340 (2022: \$6,942,333). The Company had a net working capital surplus of \$4,412,489 (2022: \$5,180,493) including cash and term deposit balances of \$4,911,709 at 30 June 2023 (June 2022: \$7,216,048). Due to the nature of the operations, being clinical development of EmtinB™, the loss mainly reflects research and development costs.

Based on the Company's working capital surplus at 30 June 2023 and in particular its cash balance of \$4,911,709, the Directors are satisfied that the Company will have access to sufficient cash to fund its forecast expenditure for a period of at least twelve months from the date of signing this report. Accordingly, the Directors consider that the entity the going concern basis of preparation to be appropriate.



DIRECTORS' REPORT (continued)

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Milestone 2 in relation to the acquisition of the EmtinB™ technology from the University of Tasmania was completed in July 2023, upon receipt of final reports for the good laboratory standard (GLP) studies of the preclinical safety and toxicology program for EmtinB™. Upon completion, the Company issued shares to the University of Tasmania in payment of the \$200,000 Milestone payment in August 2023.

On 27 July 2023, 2,100,000 unlisted performance shares expired without converting to ordinary shares, as a result of the associated milestones for Class C, Class D and Class E performance shares not being met within 5 years from the date that the company was admitted to the ASX.

Other than the above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Environmental regulation

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

Risk Statement

Clinical development

Clinical trials are inherently very risky and may prove unsuccessful or non-efficacious, impracticable or costly - which may impact profitability and commercial potential. Failure or negative or inconclusive results can occur at many stages in development and the results of earlier clinical trials are not necessarily predictive of future results. In addition, data obtained from trials is susceptible to varying interpretations, and regulators may not interpret the data as favourably as NeuroScientific, which may delay, limit or prevent regulatory approval.

Research and development activities

NeuroScientific's future success is dependent on the performance in clinical trials. NeuroScientific's lead drug compound, EmtinB™ is an experimental product in clinical development and product commercialisation resulting in potential product sales and revenues which are likely to be years away, and there is no guarantee that it will be successful. It requires additional research and development, including ongoing clinical evaluation of safety and efficacy in clinical trials and regulatory approval prior to marketing authorisation. Drug development generally is often associated with a high failure rate and until NeuroScientific is able to provide further clinical evidence of the ability of NeuroScientific's product to improve outcomes in patients, the future success of the product in developed remains speculative. Research and development risks include uncertainty regarding the outcome of results, difficulties or delays in development and generally the uncertainty that surrounds the scientific development of pharmaceutical products.



DIRECTORS' REPORT (continued)

Regulatory approval

NeuroScientific operates within a highly regulated industry, relating to the manufacture, distribution and supply of pharmaceutical products. There is no guarantee that NeuroScientific will obtain the required approvals, licenses and registrations from all relevant regulatory authorities in all jurisdictions in which it operates. The commencement of clinical trials may be delayed and NeuroScientific may incur further costs if the US Food and Drug Administration (FDA) and other Regulatory Agencies such as Australia's Therapeutic Goods Administration (TGA) observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. A change in regulation may also adversely affect NeuroScientific's ability to commercialise and manufacture its treatments.

Intellectual property risks

Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of biotechnology research and development. NeuroScientific's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain and frequently involves complex legal and factual questions, neither the breadth of claims allowed in biotechnology patents, nor their enforceability can be predicted. There can be no assurance that any patents which NeuroScientific may own, access or control will afford NeuroScientific commercially significant protection of its technology or its products or have commercial application or that access to these patents will mean that NeuroScientific will be free to commercialise its drug candidates. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid NeuroScientific's patented technology.

Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change, both in Australia and internationally, and there are no guarantees about NeuroScientific's ability to successfully compete. NeuroScientific's products may compete with existing alternative treatments that are already available to customers. In addition, a number of companies, both in Australia and internationally, are pursuing the development of competing products. Some of these companies may have, or may develop, technologies superior to NeuroScientific's own technology. Some competitors of NeuroScientific may have substantially greater financial, technical and human resources than NeuroScientific does, as well as broader product offerings and greater market and brand presence. NeuroScientific's services, expertise or products may be rendered obsolete or uneconomical or decrease in attractiveness or value by advances or entirely different approaches developed by either NeuroScientific or its competitors.



DIRECTORS' REPORT (continued)

Commercial risk

NeuroScientific may, from time to time, consider acquisition, licensing, partnership or other corporate opportunities for NeuroScientific's product development programs. There can be no assurance that any such acquisition, licensing, partnership or corporate opportunities can be concluded on terms that are, or are believed by NeuroScientific to be, commercially acceptable. In the case of licensing and partnership opportunities, even if such terms are agreed there is a risk that the performance of distributors and the delivery of contracted outcomes by collaborators will not occur due to a range of unforeseen factors relating to environment, technology and market conditions.

Market penetration

Where NeuroScientific does obtain regulatory approval, future success will also depend on NeuroScientific's ability to achieve market acceptance and attract and retain customers, which includes convincing potential consumers and partners of the efficacy of NeuroScientific's products and NeuroScientific's ability to manufacture a sufficient quantity and quality of products at a satisfactory price.

Reliance on key personnel

NeuroScientific is reliant on key personnel employed or engaged by NeuroScientific. Loss of such personnel may have a material adverse impact on the performance of NeuroScientific. In addition, recruiting qualified personnel is critical to NeuroScientific's success. As NeuroScientific's business grows, it may require additional key financial, administrative, investor and public relations personnel as well as additional staff for operations. While NeuroScientific believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. The loss of key personnel or the inability to attract suitably qualified additional personnel could have a material adverse effect on NeuroScientific's financial performance.

Insurance and uninsured risks

Although NeuroScientific maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and NeuroScientific may decide not to insure against certain risks because of high premiums or other reasons.

Product safety and efficacy

Serious or unexpected health, safety or efficacy concerns with NeuroScientific's (or similar third party) products may expose NeuroScientific to reputational harm or reduced market acceptance of its products, and lead to product recalls and/or product liability claims and resulting liability and increased regulatory reporting. There can be no guarantee that unforeseen adverse events or manufacturing defects will not occur. NeuroScientific will seek to obtain adequate product liability insurance at the appropriate time in order to minimise its liability to such claims however there can be no assurance that adequate insurance coverage will be available at an acceptable cost. Any health, safety or efficacy concerns are likely to lead to reduced customer demand and impact on potential future profits of NeuroScientific.



DIRECTORS' REPORT (continued)

Litigation

In the ordinary course of conducting its business, NeuroScientific is exposed to potential litigation and other proceedings, including through claims of breach of agreements, intellectual property infringement or in relation to employees (through personal injuries, occupational health and safety or otherwise). If such proceedings were brought against NeuroScientific, it would incur considerable defence costs (even if successful), with the potential for damages and costs awards against NeuroScientific if it were unsuccessful, which could have a significant negative financial effect on NeuroScientific's business. Changes in laws can also heighten litigation risk (for example, antitrust and intellectual property). Circumstances may also arise in which NeuroScientific, having received legal advice, considers that it is reasonable or necessary to initiate litigation or other proceedings, including, for example, to protect its intellectual property rights. There has been substantial litigation and other proceedings in the pharmaceutical industry, including class actions from purchasers and end users of pharmaceutical products.

Share price fluctuations

The market price of NeuroScientific shares will fluctuate due to various factors, many of which are non-specific to NeuroScientific, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, and investor perceptions. Fluctuations such as these may adversely affect the market price of NeuroScientific shares. Neither NeuroScientific nor the directors warrant the future performance of NeuroScientific or any return on investment in NeuroScientific.

Dilution risk

Eligible shareholders that do not take up all or part of their entitlements will be diluted by not participating to the full extent in the Entitlement Offer and by the Institutional Placement, but and will not be exposed to future increases or decreases in NeuroScientific's share price in respect of those shares which would have been issued to them had they taken up all of their entitlement.



DIRECTORS' REPORT (continued)

Economic risks

NeuroScientific is exposed to economic factors in the ordinary course of business. A number of economic factors / conditions, both domestic and global, affect the performance of financial markets generally, which could affect the price at which NeuroScientific Shares trade on the ASX. Among other things, adverse changes in macroeconomic conditions, including movements on international and domestic stock markets, interest rates, exchange rates, cost and availability of credit, general consumption and consumer spending, input costs, employment rates and industrial disruptions, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally, as well as government taxation, fiscal, monetary, regulatory and other policy changes may affect the demand for, and price of, NeuroScientific Shares and adversely impact NeuroScientific's business, financial position and operating results. Trading prices can be volatile and volatility can be caused by general market risks such as those that have been mentioned. Shares in NeuroScientific may trade at or below the price at which they are currently commence trading on the ASX including as a result of any of the factors that have been mentioned, and factors such as those mentioned may also affect the income, expenses and liquidity of NeuroScientific. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of NeuroScientific.

Dividend guidance

No assurances can be given in relation to the payment of future dividends. Future determinations as to the payment of dividends by NeuroScientific will be at the discretion of NeuroScientific and will depend upon the availability of profits, the operating results and financial conditions of NeuroScientific, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by NeuroScientific. No assurance can be given in relation to the level of tax deferral of future dividends. Tax deferred capacity will depend upon the amount of capital allowances available and other factors.

Forward-looking statements

There can be no guarantee that the assumptions and contingencies on which any forward-looking statements, opinions and estimates contained in materials published by NeuroScientific are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of NeuroScientific. Actual performance of NeuroScientific may materially differ from forecast performance.



DIRECTORS' REPORT (continued)

Information on directors

| | |
|--------------------------------------|--|
| Name: | Mr Paul Rennie |
| Title: | Non-Executive Chairman and Interim Chief Executive Officer |
| Qualifications: | BSc, MBM |
| Experience and expertise: | Mr Rennie is a pharmaceutical professional with over 30 years' experience in the biotechnology and healthcare industry. Prior to his appointment with NeuroScientific Biopharmaceuticals Ltd, he was a founder, and currently serves as Chief Executive Officer and Executive Chairman of Paradigm Biopharmaceuticals Ltd (ASX: PAR). |
| Other current directorships: | Executive Chairman & Managing Director of Paradigm Biopharmaceuticals Ltd (ASX: PAR). |
| Former directorships (last 3 Years): | None |
| Interests in shares: | 1,090,753 shares |
| Interests in options: | 5,600,000 options |
| Contractual rights to shares: | As part of his appointment Mr Rennie was granted 5 million options exercisable at \$0.40 and expiring five years from grant. |
| Name: | Mr Stephen Quantrill |
| Title: | Non-Executive Director |
| Qualifications: | BScEng, BCom, MBA, MIEAust CPEng EngExec NER APEC Engineer IntPE(Aus) GAICD FFINSIA |
| Experience and expertise: | Mr Quantrill is a Chartered Engineer with over 20 years' experience in multifaceted roles in business leadership, ownership and advisory. Mr Quantrill acts as chairman and company director across a range of businesses and industries, including in investment, resources (iron ore, oil and gas), property, biotechnology, agri-industry, advisory and engineering. Mr Quantrill's roles include Executive Chairman of McRae Investments Pty Ltd, the venture capital and investment holding company established by Harold Clough in 1965. |
| Other current directorships: | Tombador Iron Limited (ASX:TI1) |
| Former directorships (last 3 Years): | None |
| Interests in shares: | 180,000 shares |
| Interests in options: | 1,100,000 options |
| Contractual rights to shares: | None |



DIRECTORS' REPORT (continued)

| | |
|--------------------------------------|---|
| Name: | Dr Anton Uvarov |
| Title: | Non-Executive Director |
| Qualifications: | PhD, MBA |
| Experience and expertise: | Dr Uvarov has significant experience as an equity analyst in the healthcare industry with a focus on the biotechnology sector, both domestically and internationally. Prior to moving to Australia, he was with Citigroup Global Markets where he spent two years as a member of a New York based biotechnology team that has been continuously ranked top 4 for Biotechnology in the All-America Institutional Investor survey. Dr Uvarov's scientific expertise and company knowledge spreads across a variety of therapeutic areas and spectrum of market capitalizations with his particular interest in early stage biotechnology companies. |
| Other current directorships: | None |
| Former directorships (last 3 Years): | Non-executive Director of Nutritional Growth Solutions (ASX:NGS). Resigned 31 August 2022 |
| Interests in shares: | 2,350,000 ordinary shares |
| Interests in options: | 1,700,000 options |
| Contractual rights to shares: | 450,000 performance shares |

| | |
|-------------------------------|--|
| Name: | Mr Matthew Liddelow |
| Title: | Managing Director and Chief Executive Officer (Resigned on 9 September 2022) |
| Interests in shares: | 1,125,000 ordinary shares as at 9 September 2022 |
| Interests in options: | 2,800,000 options as at 9 September 2022 |
| Contractual rights to shares: | 450,000 performance shares as at 9 September 2022 |

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

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



DIRECTORS' REPORT (continued)

Company Secretary & Chief Financial Officer

Abby Macnish Niven (BComm, Bsc, CFA, GAICD) has held the role of Company Secretary & Chief Financial Officer since April 2020. Ms Macnish Niven has over 20 years' experience in wealth management in Australia. She holds a Bachelor of Commerce degree with a double major in Commerce and Science, is a CFA Charterholder and is a member of the Australian Institute of Company Directors. She has also completed the Certificate in Governance Practice.

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held while each Director was in office and the number of meetings attended by each Director:

| Director | Number of meetings available to attend | Number of meetings attended |
|----------------------|--|-----------------------------|
| Mr Paul Rennie | 11 | 11 |
| Dr Anton Uvarov | 11 | 11 |
| Mr Stephen Quantrill | 11 | 11 |
| Mr Matthew Liddelow | 2 | 2 |

Due to the size and scale of the Company, the duties that would ordinarily be assigned to the Remuneration, Nomination, Audit and Risk Committees is carried out by the entire Board of Directors. Details of these duties are detailed within the Company's Corporate Governance Plan. The Company has elected to disclose its Corporate Governance Plan and compliance with the plan on its website www.neuroscientific.com.



DIRECTORS' REPORT (continued)

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

The performance of the Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

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

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



DIRECTORS' REPORT (continued)

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

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

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

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Company may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Company and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on key performance indicators ('KPI's') being achieved. KPI's are based on financial and nonfinancial measures, including budget management, R&D program planning and development, business development, and leadership contribution.



DIRECTORS' REPORT (continued)

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives with vesting periods based on long-term incentive measures. These include increase in shareholder's value relative to the entire market and KPI's aligned to the research and development program.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Company are set out in the tables below.

The key management personnel of the Company consisted of the following Directors of NeuroScientific Biopharmaceuticals Limited:

- Paul Rennie – Non-Executive Chairman and Interim Chief Executive Officer (Appointed as Interim Chief Executive Officer on 23 November 2022)
- Stephen Quantrill - Non-Executive Director
- Anton Uvarov – Non-Executive Director (Transitioned from Executive Director to Non-Executive Director on 15 November 2022)
- Matthew Liddelow - Managing Director and Chief Executive Officer (Resigned on 9 September 2022)

And the following persons:

- Abby Macnish Niven - Company Secretary and CFO



DIRECTORS' REPORT (continued)

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|--|---------------------|-------|--------------|--------------------------|--------------------|-----------------------|------------------------|---------|
| | Salary and fees | Bonus | Non-monetary | Superannuation | Long service leave | Equity-settled shares | Equity-settled options | Total |
| 2023 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| Paul Rennie (Chairman) | 160,000 | - | - | 16,800 | - | - | 440,706 | 617,506 |
| Stephen Quantrill* | 55,000 | - | - | - | - | - | - | 55,000 |
| Anton Uvarov | 79,625 | - | - | 3,944 | - | - | - | 83,569 |
| <i>Executive Directors:</i> | | | | | | | | |
| Matthew Liddelow** | 86,541 | - | - | 6,542 | - | - | - | 93,083 |
| <i>Other Key Management Personnel:</i> | | | | | | | | |
| Abby Macnish Niven*** | 119,164 | - | - | - | - | - | - | 119,164 |
| | 500,330 | - | - | 27,286 | - | - | 440,706 | 968,322 |

* Salary for Stephen Quantrill is paid in consulting fees to McRae Investments Pty Ltd.

** Represents remuneration from 1 July 2022 to date of resignation 9 September 2022.

*** Salary for Abby Macnish Niven is paid in consulting fees to CAMS Advisory Pty Ltd.



DIRECTORS' REPORT (continued)

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments | |
|--|---------------------|-------|--------------|--------------------------|--------------------|-----------------------|------------------------|-----------|
| | Salary and fees | Bonus | Non-monetary | Superannuation | Long service leave | Equity-settled shares | Equity-settled options | Total |
| 2022 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| Paul Rennie (Chairman) | 160,616 | - | - | 16,062 | - | - | 851,312 | 1,027,990 |
| Stephen Quantrill* | 55,000 | - | - | - | - | - | 114,714 | 169,714 |
| <i>Executive Directors:</i> | | | | | | | | |
| Matthew Liddelow | 232,789 | - | - | 23,279 | - | - | 172,071 | 428,139 |
| Anton Uvarov | 103,461 | - | - | 10,346 | - | - | 172,071 | 285,878 |
| <i>Other Key Management Personnel:</i> | | | | | | | | |
| Abby Macnish Niven** | 65,002 | - | - | - | - | - | - | 65,002 |
| | 616,868 | - | - | 49,687 | - | - | 1,310,168 | 1,976,723 |

* Salary for Stephen Quantrill is paid in consulting fees to McRae Investments Pty Ltd.

** Salary for Abby Macnish Niven is paid in consulting fees to McRae Investments Pty Ltd from 1 July 2021 to 31 December 2021, and to CAMS Advisory Pty Ltd from 1 January 2022 to 30 June 2022.



DIRECTORS' REPORT (continued)

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

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|------|---------------|------|---------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Paul Rennie (Chairman) | 100% | 18% | - | - | - | 82% |
| Stephen Quantrill | 100% | 32% | - | - | - | 68% |
| Anton Uvarov | 100% | 40% | - | - | - | 60% |
| <i>Executive Directors:</i> | | | | | | |
| Matthew Liddelow* | 100% | 60% | - | - | - | 40% |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Abby Macnish Niven | 100% | 100% | - | - | - | - |

Cash bonuses are dependent on meeting performance measures. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year.

* Represents remuneration from 1 July 2022 to date of resignation 9 September 2022.



DIRECTORS' REPORT (continued)

Service agreements

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

Non-Executive Agreements

The Company has entered into non-executive director appointment letters with Messrs Paul Rennie and Stephen Quantrill and Dr Anton Uvarov and pursuant to which Messrs Rennie and Quantrill and Dr Anton Uvarov are appointed as Non-Executive Directors of the Company on the following terms:

- (a) (Fees): Director fees are payable by the Company to each of Mr Rennie (\$160,000 per annum plus superannuation), Mr Quantrill (\$55,000 per annum) and Dr Anton Uvarov (\$55,000 per annum); and
- (b) (Term): the term of Dr Anton Uvarov, Messrs Rennie and Quantrill's appointments are subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Messrs Rennie or Quantrill or Dr Uvarov are not re-elected as Directors by Shareholders.

As part of his appointment, Mr Rennie was granted five million options exercisable at \$0.40 and expiring five years from grant. The options vest in three tranches, subject to continuous service up to the applicable vesting date, as follows:

- 1 million - on appointment (vested);
- 2 million - one year from grant; and
- 2 million - two years from grant.

The appointment letters otherwise contain terms and conditions that are considered standard for agreements of this nature.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023.



DIRECTORS' REPORT (continued)

Additional information

The earnings of the Company for the five years to 30 June 2023 are summarised below:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------------------|-------------|--------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Total Income | 5,060,488 | 68,450 | 1,045,874 | 76,273 | 119,287 |
| EBITDA | (1,010,752) | (10,370,434) | (3,116,361) | (2,808,450) | (1,603,708) |
| EBIT | (1,068,606) | (10,435,349) | (3,177,768) | (2,865,111) | (1,658,913) |
| Loss after income tax | (1,068,606) | (10,435,349) | (3,177,831) | (2,868,528) | (1,658,913) |

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

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|-------------|-------------|
| Share price at financial year end (\$) | 0.08 | 0.18 | 0.335 | 0.19 | 0.14 |
| Total dividends declared (cents per share) | - | - | - | - | - |
| Basic loss per share (cents per share) | (0.74) | (7.27) | (2.21) | (3.67) | (2.32) |



DIRECTORS' REPORT (continued)

Additional disclosures relating to key management personnel

Shareholding

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

| | Balance at 1 July 2022 | Received as part of remuneration | Additions | Disposals/ Other | Balance at 30 June 2023 |
|------------------------|---------------------------|--|-----------|---------------------|----------------------------|
| Ordinary shares | | | | | |
| Paul Rennie | 300,000 | - | 790,753 | - | 1,090,753 |
| Stephen Quantrill | 180,000 | - | - | - | 180,000 |
| Matthew Liddelov | 1,125,000 | - | - | (1,125,000) | - |
| Anton Uvarov | 2,025,000 | - | 325,000 | - | 2,350,000 |
| Abby Macnish Niven | 100,000 | - | - | - | 100,000 |
| | 3,730,000 | - | 1,115,753 | (1,125,000) | 3,720,753 |

Options

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

| | Balance at 1 July 2022 | Received as part of remuneration | Additions | Lapsed/ Other | Balance at 30 June 2023 |
|--------------------|---------------------------|--|-----------|------------------|----------------------------|
| Options | | | | | |
| Paul Rennie | 5,600,000 | - | - | - | 5,600,000 |
| Stephen Quantrill | 1,100,000 | - | - | - | 1,100,000 |
| Matthew Liddelov | 2,800,000 | - | - | (2,800,000) | - |
| Anton Uvarov | 2,400,000 | - | - | (700,000) | 1,700,000 |
| Abby Macnish Niven | 300,000 | - | - | - | 300,000 |
| | 12,200,000 | - | - | (3,500,000) | 8,700,000 |



DIRECTORS' REPORT (continued)

Performance shares

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

| | Balance at the start of the year | Granted | No. of Rights exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-----------------------|--|---------|----------------------------|---------------------------------|--------------------------------------|
| Class C shares | | | | | |
| Paul Rennie | - | - | - | - | - |
| Stephen Quantrill | - | - | - | - | - |
| Matthew Liddelov | 150,000 | - | - | (150,000) | - |
| Anton Uvarov | 150,000 | - | - | - | 150,000 |
| | 300,000 | - | - | (150,000) | 150,000 |

| | Balance at the start of the year | Granted | No. of Rights exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-----------------------|--|---------|----------------------------|---------------------------------|--------------------------------------|
| Class D shares | | | | | |
| Paul Rennie | - | - | - | - | - |
| Stephen Quantrill | - | - | - | - | - |
| Matthew Liddelov | 150,000 | - | - | (150,000) | - |
| Anton Uvarov | 150,000 | - | - | - | 150,000 |
| | 300,000 | - | - | (150,000) | 150,000 |

| | Balance at the start of the year | Granted | No. of Rights exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-----------------------|--|---------|----------------------------|---------------------------------|--------------------------------------|
| Class E shares | | | | | |
| Paul Rennie | - | - | - | - | - |
| Stephen Quantrill | - | - | - | - | - |
| Matthew Liddelov | 150,000 | - | - | (150,000) | - |
| Anton Uvarov | 150,000 | - | - | - | 150,000 |
| | 300,000 | - | - | (150,000) | 150,000 |

Other transactions with key management personnel and their related parties

During the financial year, payments for rental of office space and administration services of \$51,092 were made to McRae Investments Pty Ltd (director-related entity of Stephen Quantrill). The Company paid \$2,495 to CAMS Advisory (related entity of Abby Macnish Niven) in relation to travel expenses incurred on the Company's behalf. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.



DIRECTORS' REPORT (continued)

Shares under option

Unissued ordinary shares of NeuroScientific Biopharmaceuticals Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------------|-----------------|----------------|------------------------|
| 15 January 2021 | 15 January 2024 | \$0.40 | 3,000,000 |
| 26 May 2021 | 5 April 2024 | \$0.40 | 1,175,000 |
| 11 November 2021 | 7 December 2024 | \$0.50 | 3,000,000 |
| 11 November 2021 | 21 June 2026 | \$0.40 | 5,000,000 |
| 10 June 2022 | 17 June 2025 | \$0.40 | 750,000 |
| 10 June 2022 | 17 June 2027 | \$0.40 | 250,000 |
| | | | <hr/> 13,175,000 <hr/> |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Indemnity and insurance of officers

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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



DIRECTORS' REPORT (continued)

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 16 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 16 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of Nexia Perth Audit Services Pty Ltd

There are no officers of the Company who are former partners of Nexia Perth Audit Services Pty Ltd.

Auditor's independence declaration

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

Auditor

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

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

On behalf of the Directors



Paul Rennie
Chairman & Interim CEO
25 August 2023
Perth



Auditor's independence declaration under section 307C of the *Corporations Act 2001*

To the directors of Neuroscientific Biopharmaceuticals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial year ended 30 June 2023 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**Nexia Perth Audit Services Pty Ltd****Justin Mulhair**

Director

Perth

25 August 2023

Advisory. Tax. Audit.

ACN 145 447 105

Nexia Perth Audit Services Pty Ltd (ABN 27 145 447 105) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

GENERAL INFORMATION

The financial statements cover NeuroScientific Biopharmaceuticals Limited as a company. The financial statements are presented in Australian dollars, which is NeuroScientific Biopharmaceuticals Limited's functional and presentation currency.

NeuroScientific Biopharmaceuticals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 5
85 Forrest Street
Cottesloe WA 6011

Principal place of business

Suite 5
85 Forrest Street
Cottesloe WA 6011

A description of the nature of the Company's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2023. The Directors have the power to amend and reissue the financial statements.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|--------------------|---------------------|
| Total Income | | | |
| Interest received | 4 | 107,529 | 68,450 |
| Other income | 4 | 4,952,959 | - |
| Expenses | | | |
| Administration expenses | | (799,101) | (494,116) |
| Business development expenses | | (90,736) | (136,511) |
| Research and development expenses | | (4,026,118) | (7,220,142) |
| Patent related costs | | (46,064) | (66,718) |
| Employee expenses | | (723,672) | (887,944) |
| Management fees | | (138,068) | (282,500) |
| Share based payment expense | 5 | (242,747) | (1,350,953) |
| Depreciation expenses | | (7,928) | (14,989) |
| Amortisation expenses | | (49,926) | (49,926) |
| Finance Cost | | (4,734) | - |
| (Loss) before income tax expense | | (1,068,606) | (10,435,349) |
| Income tax expense | 6 | - | - |
| (Loss) after income tax expense for the year | | (1,068,606) | (10,435,349) |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive (loss) for the year | | (1,068,606) | (10,435,349) |
| Basic loss per share (cents per share) | | (0.74) | (7.27) |
| Diluted losses per share (cents per share) | | (0.74) | (7.27) |

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



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|-----------------------------|-------|-------------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 4,911,709 | 7,216,048 |
| Trade and other receivables | 7 | 43,467 | 120,928 |
| Prepayments | | 54,675 | 61,217 |
| Total current assets | | <u>5,009,851</u> | <u>7,398,193</u> |
| Non-current assets | | | |
| Plant and equipment | | 8,791 | 16,720 |
| Intangible assets | 8 | 272,496 | 322,422 |
| Total non-current assets | | <u>281,287</u> | <u>339,142</u> |
| Total assets | | <u>5,291,138</u> | <u>7,737,335</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 585,504 | 2,166,004 |
| Employee benefits | 9 | 11,858 | 51,696 |
| Total current liabilities | | <u>597,362</u> | <u>2,217,700</u> |
| Total liabilities | | <u>597,362</u> | <u>2,217,700</u> |
| Net assets | | <u>4,693,776</u> | <u>5,519,635</u> |
| Equity | | | |
| Issued capital | 10 | 25,274,663 | 25,274,663 |
| Reserves | 11,12 | 2,407,511 | 2,842,947 |
| Accumulated losses | 13 | <u>(22,988,398)</u> | <u>(22,597,975)</u> |
| Total equity | | <u>4,693,776</u> | <u>5,519,635</u> |

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

| | Issued capital | Reserves | Accumulated losses | Total equity |
|--|-------------------|------------------|-----------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 25,274,663 | 1,504,819 | (12,175,451) | 14,604,031 |
| Options issued during the year - related party options | - | 1,310,167 | - | 1,310,167 |
| Options issued during the year - ESS plan options | - | 1,675 | - | 1,675 |
| ESS plan options expired during year | - | (12,825) | 12,825 | - |
| Revaluation of performance shares during year | - | 39,111 | - | 39,111 |
| Total comprehensive (loss) for the year after tax | - | - | (10,435,349) | (10,435,349) |
| Balance at 30 June 2022 | 25,274,663 | 2,842,947 | (22,597,975) | 5,519,635 |
| | Issued capital | Reserves | Accumulated losses | Total equity |
| Balance at 1 July 2022 | 25,274,663 | 2,842,947 | (22,597,975) | 5,519,635 |
| Options issued during the year - related party options | - | 440,705 | - | 440,705 |
| Options issued during the year - ESS plan options | - | 41,932 | - | 41,932 |
| ESS plan options expired during year | - | (678,183) | 678,183 | - |
| Revaluation of performance shares during year | - | (239,890) | - | (239,890) |
| Total comprehensive (loss) for the year after tax | - | - | (1,068,606) | (1,068,606) |
| Balance at 30 June 2023 | 25,274,663 | 2,407,511 | (22,988,398) | 4,693,776 |

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



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (7,364,671) | (7,010,783) |
| Receipts from customers | | 4,952,959 | - |
| Finance costs | | (157) | - |
| Interest received | | 107,529 | 68,450 |
| Net cash used in operating activities | 20 | (2,304,340) | (6,942,333) |
| Cash flows from investing activities | | | |
| Purchase of property plant and equipment | | - | (3,866) |
| Net cash used in investing activities | | - | (3,866) |
| Cash flows from financing activities | | | |
| Proceeds from share issue | | - | - |
| Proceeds from options issue | | - | - |
| Net cash provided by financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | (2,304,340) | (6,946,199) |
| Cash and cash equivalents at the beginning of the financial year | | 7,216,048 | 14,162,247 |
| Cash and cash equivalents at the end of the financial year | | 4,911,708 | 7,216,048 |

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



NOTES TO THE FINANCIAL STATEMENTS

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

New or amended Accounting Standards and Interpretations adopted

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

The Company has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2023. As a result of this review the Company has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company; therefore, no change is necessary to the Company accounting policies.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.



NOTES TO THE FINANCIAL STATEMENTS

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency

The financial statements are presented in Australian dollars, which is NeuroScientific Biopharmaceuticals Limited's functional and presentation currency.

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

Revenue recognition

The Company recognises revenue as follows:

Interest

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

Other income

Other income is recognised when it is received or when the right to receive payment is established. R&D refunds are a tax offset under the R&D tax incentive recognised on receipt of funds from the Australian Taxation Office for research and development expenditure incurred in the previous financial year. They are presented in the statement of profit and loss and other comprehensive income as other income



NOTES TO THE FINANCIAL STATEMENTS

Income tax

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

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

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

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

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

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

Cash and cash equivalents

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



NOTES TO THE FINANCIAL STATEMENTS

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful life of the intangible asset recognised is assessed as finite.

Useful life (years) – 11.5 years

Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Trade and other payables

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

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.



NOTES TO THE FINANCIAL STATEMENTS

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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



NOTES TO THE FINANCIAL STATEMENTS

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

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

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.

Dividends

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



NOTES TO THE FINANCIAL STATEMENTS

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of NeuroScientific Biopharmaceuticals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

Note 2. Operating segments

The Company has considered the requirements of AASB 8 – Operating Segments and has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company operates as a single segment being research and development of pharmaceutical solutions for neurological disorders. There is no difference between the audited financial report and the internal reports generated for review. The Company is domiciled in Australia and is currently in the research and development phase and hence has not begun to generate revenue from operations. All the assets are located in Australia.

Note 3. Critical accounting judgements, estimates and assumptions

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

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 determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.



NOTES TO THE FINANCIAL STATEMENTS

Note 4. Other income

| | 2023 \$ | 2022 \$ |
|----------------------|------------------|---------------|
| <i>Other income</i> | | |
| Interest | 107,529 | 68,450 |
| R&D incentive rebate | 4,952,959 | - |
| | <hr/> | <hr/> |
| Other income | <u>5,060,488</u> | <u>68,450</u> |

Note 5. Share based payment

For the year ended 30 June 2023:

Set out below are summaries of the movements of options granted to key management personnel of the Company:

| Grant date | Expiry date | Exercise price | Balance at start of year | Granted | Balance at end of year |
|------------|-------------|----------------|--------------------------|---------|------------------------|
| 11/11/2021 | 07/12/2024 | \$0.50 | 3,000,000 | - | 3,000,000 |
| 11/11/2021 | 21/06/2026 | \$0.40 | 5,000,000 | - | 5,000,000 |
| | | | <hr/> 8,000,000 | <hr/> - | <hr/> 8,000,000 |

Total expenses arising from share-based payment transactions recognised during the year were as follows:

| | 2023 \$ | 2022 \$ |
|---|---------------|-----------------|
| Options – share based payment expense to key management personnel | 440,705 | 1,310,167 |
| Options – share based payment expense to other employees | 41,932 | 1,675 |
| Performance shares – re-assessment of vesting probability* | (239,890) | 39,111 |
| | <hr/> 242,747 | <hr/> 1,350,953 |

*On 30 June 2023, the Company re-assessed the vesting probability of the Class C, Class D and Class E performance rights to reflect the new estimated probability of 0% (2022: 10%, 90% and 100%) of the non-market performance criteria being met. Refer to note 11 for more information.



NOTES TO THE FINANCIAL STATEMENTS

Note 6. Income tax

Income tax recognised in profit or loss

| | 2023 \$ | 2022 \$ |
|---|-------------|--------------|
| Current tax expense | | |
| The prima facie income tax expense / (benefit) on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense as follows: | | |
| Accounting profit / (loss) before income tax | (1,068,606) | (10,435,349) |
| Income tax at 25.0% (2022: 25%) | (267,151) | (2,608,837) |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: | | |
| Non-deductible expenses | 64,932 | 337,738 |
| Non-assessable income | (1,238,240) | - |
| Adjustments recognised in the current year in relation to the current tax of previous years | 1,955,918 | 2,808,924 |
| Effect of temporary differences that would be recognised directly in equity | - | (94,609) |
| Temporary differences not recognised | (515,459) | (443,216) |
| Income tax expense | - | - |

The tax rate used in the above reconciliation is the corporate tax rate of 25.0% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

Deferred Tax Balances

At 30 June 2023, net deferred tax assets of \$3,119,823 (2022: \$3,635,282) have been reversed in terms of AASB112 Income Taxes. The Company does not currently have foreseeable future taxable profits against which the deductible temporary differences and unused tax losses comprising this net deferred tax amount may be utilised.

Unrecognised deferred tax assets and liabilities as at 30 June 2023 comprise:

| | Deferred Tax Assets \$ | Deferred Tax Liabilities \$ | Net \$ |
|---|------------------------------|--------------------------------------|-----------|
| Cash & cash equivalents | - | (695) | (695) |
| Intangible assets | 75,626 | - | 75,626 |
| Trade & other payables | 2,461 | - | 2,461 |
| Employee benefits | 2,965 | - | 2,965 |
| Unused tax losses | 2,982,583 | - | 2,982,583 |
| Other future deductions | 56,883 | - | 56,883 |
| Unrecognised deferred tax assets / (liabilities) before set-off | 3,120,518 | (695) | 3,119,823 |
| Set off deferred tax liabilities | (695) | 695 | - |
| Net unrecognised deferred tax asset | 3,119,823 | - | 3,119,823 |



NOTES TO THE FINANCIAL STATEMENTS

Note 7. Current assets - trade and other receivables

| | 2023 \$ | 2022 \$ |
|----------------------------|---------------|----------------|
| Trade receivables | 43,467 | 120,928 |
| Less: Expected credit loss | - | - |
| | <u>43,467</u> | <u>120,928</u> |

Expected credit loss

The Company has not recognised any loss (2022: nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

Note 8. Non-current assets – intangible assets

| | 2023 \$ | 2022 \$ |
|--------------------------------|----------------|----------------|
| Exclusive license - at cost | 575,000 | 575,000 |
| Less: Accumulated amortisation | (302,504) | (252,578) |
| | <u>272,496</u> | <u>322,422</u> |

Reconciliations

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

| | Exclusive license |
|-------------------------|----------------------|
| Balance at 1 July 2021 | 372,348 |
| Amortisation expense | (49,926) |
| Balance at 30 June 2022 | <u>322,422</u> |
| Balance at 1 July 2022 | <u>322,422</u> |
| Amortisation expense | (49,926) |
| Balance at 30 June 2023 | <u>272,496</u> |

Note 9. Current liabilities - trade and other payables

| | 2023 \$ | 2022 \$ |
|-------------------|----------------|------------------|
| Trade payables | 585,504 | 2,166,004 |
| Employee benefits | 11,858 | 51,696 |
| | <u>597,362</u> | <u>2,217,700</u> |



NOTES TO THE FINANCIAL STATEMENTS

Note 10. Equity - issued capital

| | 2023 Shares | 2022 Shares | 2023 \$ | 2022 \$ |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
| Ordinary shares - fully paid | <u>143,471,643</u> | <u>143,471,643</u> | <u>25,274,663</u> | <u>25,274,663</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|-----------------|---------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2021 | 143,471,643 | | 25,274,663 |
| Issue of shares | | - | | - |
| Balance | 30 June 2022 | 143,471,643 | | 25,274,663 |
| Issue of shares | | - | | - |
| Balance | 30 June 2023 | 143,471,643 | | 25,274,663 |

Ordinary shares

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

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.



NOTES TO THE FINANCIAL STATEMENTS

Note 11. Equity – performance rights

| | 2023 Shares | 2022 Shares | 2023 \$ | 2022 \$ |
|----------------|----------------|----------------|------------|------------|
| Class C shares | 700,000 | 700,000 | - | 10,675 |
| Class D shares | 700,000 | 700,000 | - | 96,075 |
| Class E shares | 700,000 | 700,000 | - | 133,140 |

Movements in performance rights

Movements in each class of performance share during the current and previous financial year are set out below:

| Class C | Date | Shares | Fair value | \$ |
|---------------------------------------|--------------|---------|------------|--------|
| Balance | 30 June 2022 | 700,000 | \$0.1525 | 10,675 |
| Re-assessment of vesting probability* | 30 June 2023 | 700,000 | \$0.1525 | - |

*The Company used judgement in estimating the probability 0% (2022: 10%) of the non-market performance criteria being met. Based on this it does not appear that any of the performance rights will vest.

| Class D | Date | Shares | Fair value | \$ |
|---------------------------------------|--------------|---------|------------|--------|
| Balance | 30 June 2022 | 700,000 | \$0.1525 | 96,075 |
| Re-assessment of vesting probability* | 30 June 2023 | 700,000 | \$0.1525 | - |

*The Company used judgement in estimating the probability 0% (2022: 90%) of the non-market performance criteria being met. Based on this it does not appear that any of the performance rights will vest.

| Class E | Date | Shares | Fair value | \$ |
|---------------------------------------|--------------|---------|------------|---------|
| Balance | 30 June 2022 | 700,000 | \$0.1902 | 133,140 |
| Re-assessment of vesting probability* | 30 June 2023 | 700,000 | \$0.1902 | - |

*The Company used judgement in estimating the probability 0% (2022: 100%) of the non-market performance criteria being met. Based on this it does not appear that any of the performance rights will vest.

As at the date of this report, the performance criteria for Performance Class Shares C to E had not been met.

Performance rights

Performance rights do not entitle the holder to vote on any resolutions proposed by the Company except as otherwise required by law. A performance right does not entitle the holder to any dividends nor return of capital, whether in a winding up, upon a reduction in capital or otherwise.



NOTES TO THE FINANCIAL STATEMENTS

Note 12. Equity - reserves

| | Date | No of performance rights | No of options | Value \$ |
|--|------------------|--------------------------------|-------------------|------------------|
| Opening balance 1 July 2021 | | 2,100,000 | 8,850,000 | 1,504,819 |
| Unlisted options issued | 11 November 2021 | - | 3,000,000 | 573,569 |
| Unlisted options issued | 11 November 2021 | - | 5,000,000 | 736,598 |
| Performance options issued | 10 June 2022 | - | 1,000,000 | 1,675 |
| Options expired during year | 30 June 2022 | - | (75,000) | (12,825) |
| Performance rights revaluation | 30 June 2022 | - | - | 39,111 |
| Closing balance 30 June 2022 | | 2,100,000 | 17,775,000 | 2,842,947 |
| Opening balance 1 July 2022 | | 2,100,000 | 17,775,000 | 2,842,947 |
| Options expired during year* | 31 December 2022 | - | (4,600,000) | (678,183) |
| Options issued during the year as part of share-based payments | 31 December 2022 | - | - | 482,637 |
| Performance rights re-assessment of vesting probability ** | 30 June 2023 | - | - | (239,890) |
| Closing balance 30 June 2023 | | 2,100,000 | 13,175,000 | 2,407,511 |

* On 31 December 2022, 1,600,000 options that were issued to brokers on 16 November 2020 and 3,000,000 options to Directors on 15 January 2021 expired as the conditions associated with the options were not achieved.

** On 30 June 2023, the Company re-assessed the vesting probability of the Class C, Class D and Class E performance rights to reflect the new estimated probability of 0%, 0% and 0% (2022: 10%, 90% and 100%) of the non-market performance criteria being met. Refer to note 11 for more information.



NOTES TO THE FINANCIAL STATEMENTS

Note 13. Equity – accumulated losses

| | 2023 \$ | 2022 \$ |
|--|---------------------|---------------------|
| Retained (losses) at the beginning of the financial year | (22,597,975) | (12,175,451) |
| Performance rights and options expired during the year | 678,183 | 12,825 |
| (Loss) after income tax expense for the year | (1,068,606) | (10,435,349) |
| | <u>(22,988,398)</u> | <u>(22,597,975)</u> |
| Accumulated losses at the end of the financial year | <u>(22,988,398)</u> | <u>(22,597,975)</u> |

Note 14. Financial instruments

Market risk

The Company's activities expose it to a variety of financial risk.

Foreign currency risk

The Company is not currently exposed to any foreign exchange risk.

Price risk

The Company is not exposed to any significant price risk.

Interest rate risk

At reporting date, the entity had \$4,911,709 (2022: \$7,216,048) in cash and cash equivalents exposed to interest rate risk.

The entity's exposure to market interest rates relates primarily to cash and short-term deposits.



NOTES TO THE FINANCIAL STATEMENTS

At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net loss and equity would have been affected as follows:

| | | 2023 | | 2022 | |
|----------------------------------|--------|-----------|------|-----------|------|
| | | \$ | % | \$ | % |
| <i>Variable rate instruments</i> | | | | | |
| Cash and cash equivalents | | 4,911,709 | 3.72 | 7,216,048 | 1.57 |
| <i>Sensitivity analysis:</i> | | | | | |
| Interest rate +1.00% | Profit | 49,117 | | 72,160 | |
| Interest rate – 1.00% | Loss | (49,117) | | (72,160) | |

Liquidity risk

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. The Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

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



NOTES TO THE FINANCIAL STATEMENTS

| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| 2023 | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 585,504 | - | - | - | 585,504 |
| Other payables | - | 11,858 | - | - | - | 11,858 |
| Total | | 597,362 | - | - | - | 597,362 |
| | | | | | | |
| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
| 2022 | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 2,166,004 | - | - | - | 2,166,004 |
| Other payables | - | 51,696 | - | - | - | 51,696 |
| Total | | 2,217,700 | - | - | - | 2,217,700 |



NOTES TO THE FINANCIAL STATEMENTS

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

Fair value of financial instruments

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

Note 15. Key management personnel disclosures

Compensation

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

| | 2023 | 2022 |
|------------------------------|----------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 500,330 | 621,791 |
| Post-employment benefits | 27,286 | 50,179 |
| Share-based payment | 440,706 | 1,310,167 |
| | <u>968,322</u> | <u>1,982,137</u> |

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Perth Audit Services Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Audit services – Nexia Perth Audit Services Pty Ltd</i> | | |
| Audit or review of the financial statements | 29,700 | 27,000 |
| <i>Taxation services – Nexia Perth Pty Ltd</i> | | |
| Taxation services related to R&D tax incentive | 37,881 | 37,750 |
| Taxation services related to ESS | - | 1,605 |
| Taxation services related to annual tax return | 6,500 | 2,750 |
| | <u>74,081</u> | <u>69,105</u> |



NOTES TO THE FINANCIAL STATEMENTS

Note 17. Contingent liabilities and commitments

On the 18 May 2016, the Company signed an agreement with the University of Tasmania (UTAS) to acquire the license to hold the right to use intellectual property developed by the University. In accordance with the contract, amounts are payable to UTAS in equity, conditional upon the satisfaction of certain technical milestones. Upon the satisfaction of Milestone 1, \$150,000, Milestone 2, \$200,000, and Milestone 3, \$250,000 of equity securities are required to be issued in the Company.

On 18 January 2018, 746,269 ordinary shares were issued to UTAS Holdings Pty Ltd at an issue price of \$0.201 per share and a total transactional value of \$150,000. These shares were issued in accordance with the license agreement for acquisition of the intangible asset due to success of Milestone 1 related to the research and development program.

Milestone 2 was completed post end of financial year, in July 2023, upon receipt of final reports for the good laboratory standard (GLP) studies of the preclinical safety and toxicology program for EmtinB. Upon completion, the Company issued shares in payment of the \$200,000 Milestone 2 payment in August 2023.

Milestone 3 involves approval to commence a First in Human Phase I Clinical Trial. On the basis that the Final GLP Study Reports will be issued in the near future, NSB submitted an application for HREC approval to commence a Phase I Clinical Trial. Approval of the application by HREC will satisfy completion of Milestone 3. The Company expects to complete Milestone 3 during Q3 CY2023.

Note 18. Events after the reporting period

Milestone 2 in relation to the acquisition of the EmtinB™ technology from the University of Tasmania was completed in July 2023, upon receipt of final reports for the good laboratory standard (GLP) studies of the preclinical safety and toxicology program for EmtinB. Upon completion, the Company issued shares to the University of Tasmania in payment of the \$200,000 Milestone payment in August 2023.

On 27 July 2023, 2,100,000 unlisted performance shares expired without converting to ordinary shares, as a result of the associated milestones for Class C, Class D and Class E performance shares not being met within 5 years of the date that the company was admitted to the ASX.

Other than the above, no other matters or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.



NOTES TO THE FINANCIAL STATEMENTS

Note 19. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

| | 2023 | 2022 |
|---|---------------|---------------|
| | \$ | \$ |
| Rental of office space and administration support | 51,092 | 52,056 |
| Reimbursement of travel expenses to Anton Uvarov | - | 1,748 |
| Reimbursement of travel expenses to CAMS Advisory | 2,495 | 389 |
| | <u>53,587</u> | <u>54,193</u> |

Key management personnel

Disclosures relating to key management personnel are set out in Note 15 and the remuneration report in the Directors' Report.

Receivables from and payables to related parties

There are no receivables or payables outstanding at the reporting date in relation to transactions with related parties.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 20. Reconciliation of profit after income tax to net cash from operating activities

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Loss after income tax expense for the year | (1,068,606) | (10,435,349) |
| Adjustments for: | | |
| Depreciation and amortisation | 57,854 | 64,915 |
| Share-based payments | 242,747 | 1,350,953 |
| Change in operating assets and liabilities: | | |
| Change in trade and other receivables | 77,461 | (71,533) |
| Change in prepayments | 6,542 | 154,393 |
| Change in trade and other payables | (1,580,500) | 1,990,263 |
| Change in employee benefits | (39,838) | 4,025 |
| Net cash from operating activities | <u>(2,304,340)</u> | <u>(6,942,333)</u> |



NOTES TO THE FINANCIAL STATEMENTS

Note 21. Earnings per share

| | 2023 | 2022 |
|---|--------------------|---------------------|
| | \$ | \$ |
| Loss after income tax | <u>(1,068,606)</u> | <u>(10,453,349)</u> |
| Loss after income tax attributable to the owners of NeuroScientific Biopharmaceuticals Limited | <u>(1,068,606)</u> | <u>(10,453,349)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 143,471,643 | 143,471,643 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>13,175,000</u> | <u>17,775,000</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>143,471,643</u> | <u>143,471,643</u> |
| | Cents | Cents |
| Basic and diluted losses per share | (0.74) | (7.27) |



DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors



Paul Rennie
Interim Chief Executive Officer

25 August 2023
Perth



Independent Auditor's Report to the Members of Neuroscientific Biopharmaceuticals Ltd

nexia.com.au

Report on the audit of the Financial Report

Opinion

We have audited the financial report of Neuroscientific Biopharmaceuticals Ltd (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and 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 Neuroscientific Biopharmaceuticals Ltd is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Advisory. Tax. Audit.

ACN 145 447 105

Nexia Perth Audit Services Pty Ltd (ABN 27 145 447 105) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Future Funding</p> <p><i>(Refer to note 10. Equity - issued capital in the financial report)</i></p> <p>The Company's primary activity is research and development, which is funded through equity raising as the Company does not yet have revenue generating activities.</p> <p>As disclosed in the financial report, the Company reported an operating loss after tax for the year ended 30 June 2023 of \$1,068,604 of which \$242,747 represented share-based payment expenses. The Company reported net cash outflows from operating activities of \$2,304,340.</p> <p>The adequacy of funding and liquidity, as well as the relevant impact on the going concern assessment, is a key audit matter due to the significance of management's judgments and estimates in respect of this assessment.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • checking the mathematical accuracy of the cash flow forecast prepared by management; • evaluating the reliability and completeness of management's assumptions by comparing them to our understanding of the Company's future plans and operating conditions; • obtaining an understanding of management's cash flow forecast and evaluating the sensitivity of assumptions made by management; and • considering events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment. |
| <p>Share based payments</p> <p><i>(Refer to note 5. Share based payment and note 12 Equity - reserves in the financial report)</i></p> <p>Neuroscientific Biopharmaceuticals Limited is an early stage pharmaceutical research company. It pays its directors and employees with long-term incentives.</p> <p>This is a key audit matter as the valuation of share-based payments is complex and subject to significant management estimates and judgement.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • assessing whether the option pricing model chosen by management was appropriate; • recalculating the fair value estimated by management using the same model and inputs to the model; • assessing the reasonableness of the inputs used in the model; • ensuring the accounting treatment of the new and existing share-based payments are in line with AASB 2; • performing procedures to identify unrecorded share-based payments; and • ensuring the disclosure of the share-based payments met the requirements of AASB 2. |

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Australian Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Neuroscientific Biopharmaceuticals Limited or 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.

NPAS

Nexia Perth Audit Services Pty Ltd



Justin Mulhair

Director

Perth
25 August 2023

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 23 August 2023.

Distribution of equitable securities

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

| | Number of holders of ordinary shares |
|-------------------|---|
| 1 to 1,000 | 54 |
| 1,001 to 5,000 | 338 |
| 5,001 to 10,000 | 260 |
| 10,001 to 100,000 | 576 |
| 100,001 and over | 179 |
| | <hr/> 1,407 |

Equity security holders

Twenty largest quoted equity security holders

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

| | Ordinary shares | |
|--|------------------|-----------------------------|
| | Number held | % of total shares issued |
| MCRAE TECHNOLOGY PTY LTD | 19,122,262 | 13.22 |
| BNP PARIBAS NOMS PTY LTD <DRP> | 18,460,425 | 12.77 |
| MCRAE INVESTMENTS PTY LTD | 6,133,000 | 4.24 |
| UTAS HOLDINGS PTY LTD | 3,954,123 | 2.73 |
| CITICORP NOMINEES PTY LIMITED | 2,844,785 | 1.97 |
| ECU HOLDINGS PTY LTD | 2,555,556 | 1.77 |
| TREVOR BORROWS INVESTMENT PTY LTD | 2,250,000 | 1.56 |
| MR EDWARD JOSEPH & MRS MARGARET MARY GETTINGBY | 2,090,000 | 1.45 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,003,712 | 1.39 |
| MS YULIA UVAROVA | 2,000,000 | 1.38 |
| GCN INVESTMENTS PTY LTD | 2,000,000 | 1.38 |
| WHALE WATCH HOLDINGS LIMITED | 1,927,341 | 1.33 |
| MR EDWARD JOSEPH & MRS MARGARET MARY GETTINGBY | 1,703,333 | 1.18 |
| SOLEQUEST PTY LTD | 1,691,422 | 1.17 |
| DOSSMAN PTY LTD | 1,595,666 | 1.10 |
| ICE LAKE INVESTMENTS PTY LTD | 1,550,000 | 1.07 |
| MR PAUL JOHN RENNIE | 1,090,753 | 0.75 |
| YODAMBAO PTY LTD | 1,041,667 | 0.72 |
| VALOREM CAPITAL PTY LTD | 1,000,000 | 0.69 |
| TASTOOL PTY LIMITED | 1,000,000 | 0.69 |
| WILK HOLDINGS PTY LIMITED | 1,000,000 | 0.69 |
| | <hr/> 77,014,045 | <hr/> 53.25 |



ADDITIONAL SHAREHOLDER INFORMATION

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|--------------------|----------------------|
| Options over ordinary shares issued | 13,175,000 | 11 |

Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|---------------------------|-----------------|-----------------------------|
| | Number held | % of total shares issued |
| McRae Technology Pty Ltd | 19,122,262 | 13.33 |
| McRae Investments Pty Ltd | 6,133,000 | 4.27 |

Voting rights

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

Ordinary shares

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

Performance shares

Class C, D and E shares have no voting rights.





NeuroScientific
BIOPHARMACEUTICALS

NEUROSCIENTIFIC BIOPHARMACEUTICALS LTD
SUITE 5, 85 FORREST STREET, COTTESLOE WA 6011
www.neuroscientific.com