Rua Bioscience Limited

Consolidated Financial Statements
Unaudited

For the year ended
30 June 2024

Contents

Company Directory	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)	4
Consolidated Statement of Changes in Equity (unaudited)	5
Consolidated Statement of Financial Position (unaudited)	6
Consolidated Statement of Cash Flows (unaudited)	7
Notes forming part of the Consolidated Financial Statements (unaudited)	8 - 46

Country of incorporation of company:	New Zealand
Company Number:	6484092
Legal form:	NZ Limited Company
Principal activities:	Pharmaceutical Distribution
Registered office:	1 Commerce Place Awapuni Gisborne
Directors:	Anna STOVE – Chair Panapa EHAU Teresa FARAC-CIPRIAN Tony BARCLAY
Auditor:	PricewaterhouseCoopers
Bankers:	Kiwibank ANZ
Solicitors:	Lowndes Jordan

Rua Bioscience Limited
Consolidated Statement of Profit or Loss
and Other Comprehensive Income (unaudited)
For the year ended 30 June 2024

	Note	2024 (unaudited) $	2023 (audited) $
Revenue from contracts with customers	5	85,837	357,675
Other income	6	235,841	323,905
Fair value gains	4	-	5,851,032
Total revenue and other income		321,678	6,532,612
Changes in inventories of finished goods	7	(204,143)	(339,551)
Research and development costs	7	(1,176,153)	(1,587,704)
Impairment of intangible assets	14	(8,533,342)	(4,726,907)
Impairment of property, plant and equipment	12	(153,623)	(841,811)
Impairment of assets held for sale	24	(527,010)	-
Other expenses	7	(3,554,710)	(5,178,195)
Total expenses before operating loss		(14,148,981)	(12,674,168)
Operating loss before net financing income		(13,827,303)	(6,141,556)
Interest income		125,423	202,129
Interest expense - leases		(16,874)	(19,079)
Net finance income		108,549	183,050
Loss before tax		(13,718,754)	(5,958,506)
Income tax expense	8	-	(774)
Loss after tax		(13,718,754)	(5,959,280)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange gains arising on translation of foreign operations		(6,334)	38
Other comprehensive income for the year, net of tax		(6,334)	38
Total comprehensive loss for the year attributable to shareholders		(13,725,088)	(5,959,242)
Earnings per share attributable to the ordinary equity holders of the Company			
Loss from operations			
Basic ($)	10	(0.09)	(0.04)
Diluted ($)	10	(0.09)	(0.04)

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited
Consolidated Statement of Changes in Equity (unaudited)
For the year ended 30 June 2024

	Note	Share capital $	Foreign currency translation reserve $	Share option reserve $	Accumulated losses $	Total equity $
Opening balance at 1 July 2022 (audited)		41,891,677	-	141,686	(17,835,272)	24,198,091
Total comprehensive loss for the year						
- Loss for the year		-	-	-	(5,959,280)	(5,959,280)
- Other comprehensive income		-	38	-	-	38
Total comprehensive loss for the year		-	38	-	(5,959,280)	(5,959,242)
Transactions with owners						
- Issue of share capital	20	1,790,800	-	-	-	1,790,800
- Employee share options expense	23	-	-	90,616	-	90,616
- Share options vested and exercised	23	20,240	-	(20,240)	-	-
Total transactions with owners		1,811,040	-	70,376	-	1,881,416
Balance at 30 June 2023(audited)		43,702,717	38	212,062	(23,794,552)	20,120,265
Opening balance at 1 July 2023		43,702,717	38	212,062	(23,794,552)	20,120,265
Total comprehensive loss for the year						
- Loss for the year		-	-	-	(13,718,754)	(13,718,754)
- Other comprehensive income		-	(6,334)	-	-	(6,334)
Total comprehensive loss for the year		-	(6,334)	-	(13,718,754)	(13,725,088)
Transactions with owners						
- Issue of share capital		-	-	-	-	-
- Employee share options expense	23	-	-	371,481	-	371,481
- Share options vested and exercised	20, 23	250,219	-	(250,219)	-	-
Total transactions with owners		250,219	-	121,262	-	371,481
Balance at 30 June 2024 (unaudited)		43,952,936	(6,296)	333,324	(37,513,306)	6,766,658

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited
Consolidated Statement of Financial Position (unaudited)
As at 30 June 2024

	Note	2024 (unaudited) $	2023 (audited) $
Current assets			
Cash and cash equivalents	4	895,131	2,529,338
Trade and other receivables	16	276,608	862,991
Prepayments	17	487,907	163,361
Investments	4	-	2,032,055
Inventory	11	277,534	14,319
Assets in disposal groups held for sale	24	879,781	-
Total current assets		2,816,961	5,602,064
Non-current assets			
Property, plant and equipment	12	2,517,699	4,438,681
Goodwill	13,14	2,194,947	10,448,082
Intangible assets	14	-	286,168
Right-of-use lease assets	15	135,176	100,577
Other receivables	16	75,000	75,000
Total non-current assets		4,922,822	15,348,508
Total assets		7,739,783	20,950,572
Current liabilities			
Trade and other payables	18	554,237	522,544
Employee benefit liabilities	19	195,902	180,083
Lease liabilities	4,15	48,713	46,722
Deferred grant income		69,218	13,103
Liabilities in disposal groups held for sale	24	5,988	-
Total current liabilities		874,058	762,452
Non-current liabilities			
Lease liabilities	4,15	99,067	67,855
Total non-current liabilities		99,067	67,855
Total liabilities		973,125	830,307
Net assets		6,766,658	20,120,265
Equity			
Share capital	20	43,952,936	43,702,717
Accumulated losses		(37,513,306)	(23,794,552)
Foreign currency translation reserve		(6,296)	38
Share option reserve		333,324	212,062
Total equity		6,766,658	20,120,265

The above statements should be read in conjunction with the accompanying notes.

Rua Bioscience Limited
Consolidated Statement of Cash Flows (unaudited)
For the year ended 30 June 2024

	Note	2024 (unaudited) $	2023 (audited) $
Cash flows from operating activities			
Receipts from customers		170,015	278,085
Grant income received		755,237	104,378
Payments to suppliers and employees		(4,661,731)	(6,302,684)
Net cash inflows/(outflows) from operating activities	9	(3,736,479)	(5,920,221)
Cash flows from Investing activities			
Interest income		157,475	211,567
Proceeds from sale of plant and equipment		51,151	34,854
Proceeds from maturing investments		3,500,000	13,000,000
Proceeds from contingent consideration receivable		-	500,000
Investment deposits made		(1,500,000)	(7,000,000)
Purchase of property, plant and equipment		(1,208)	(73,772)
Net cash inflows/(outflows) from investing activities		2,207,418	6,672,649
Cash flows from financing activities			
Principal elements of lease payments		(77,854)	(101,296)
Interest paid		(16,925)	(19,079)
Net cash inflows/(outflows) from financing activities		(94,779)	(120,375)
Net increase/(decrease) in cash and cash equivalents		(1,623,840)	632,053
Cash and cash equivalents at beginning of year		2,529,338	1,897,285
Exchange (loss)/gains on cash and cash equivalents		(10,367)	-
Cash and cash equivalents at end of year	4	895,131	2,529,338

The above statements should be read in conjunction with the accompanying notes.

1. Reporting Entity

The consolidated financial statements comprise the results of Rua Bioscience Limited and its subsidiaries (together, “the Group”).

Rua Bioscience Limited (“the Company”) is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The address of the Company’s registered office and principal place of business is 1 Commerce Place, Awapuni, Gisborne.

The Company is principally engaged in the business of research and development, and pharmaceutical distribution and marketing.

2. Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), being in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards). They comply with interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS accounting standards. The consolidated financial statements have also been prepared in accordance with the requirements of the Companies Act 1993, the Financial Markets Conduct Act 2013 and the Main Board/Debt Market Listing Rules of NZX Limited.

The Group is a for-profit entity for the purposes of complying with NZ GAAP.

These consolidated financial statements include non-GAAP financial measures that are not prepared in accordance with NZ IFRS. The Group presents Net Tangible Assets, in Note 26. The Group believes that this non-GAAP measure provides useful information to readers, as this is a required disclosure under the NZX Listing Rules, but it should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The consolidated financial statements are presented in New Zealand dollars ($), which is also the Company’s functional currency. All financial information presented has been rounded to the nearest dollar.

(b) *Material accounting policy information*

Material accounting policies have been disclosed alongside the related notes in the consolidated financial statements.

(c) *Basis of measurement*

The consolidated financial statements have been prepared on a historical cost basis, except for the items detailed in note 2(g).

2. Basis of preparation *(continued)*

(d) New standards, interpretations and amendments

(i) New standards mandatorily effective during the period

New standards that have become mandatorily effective in the annual consolidated financial statements for the year ended 30 June 2024,

- *NZ IFRS 17 Insurance Contracts;*
- *Disclosure of Accounting Policies (Amendments to NZ IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);*
- *Definition of Accounting Estimates (Amendments to NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to NZ IAS 12 Income Taxes); and*
- *International Tax Reform – Pillar Two Model Rules (Amendment to NZ IAS 12 Income Taxes) (effective from 10 August 2023).*

Except for the standards detailed below, none of these new standards effective during the period have had a significant effect on the Group.

Disclosure of Accounting Policies (Amendments to NZ IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

2. Basis of preparation *(continued)*

(d) *New standards, interpretations and amendments (continued)*

(ii) Issued, but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the periods beginning on or after 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to NZ IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to NZ IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to NZ IAS 1 Presentation of Financial Statements);
- Supplier Finance Arrangements (Amendments to NZ IAS 7 Statement of Cash Flows and NZ IFRS 7 Financial Instruments: Disclosures); and
- Disclosure of Fees for Audit Firms' Services (Amendments to FRS 44)

The following amendments are effective for the periods beginning 1 January 2025 and onwards:

- Lack of Exchangeability (Amendments to NZ IAS 21 The Effects of Changes in Foreign Exchange Rates) (effective 1 January 2025)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to NZ IFRS 9 and NZ IFRS 7) (effective 1 January 2026)
- NZ IFRS 18 *Presentation and Disclosure of Financial Statements* (effective 1 January 2027)

The Group does not believe that the amendments to NZ IAS 1 will have a significant impact as the Group is not party to significant non-current borrowings. In addition, the Group does not hold any financial instruments which would be significantly impacted by the amendments to NZ IFRS 9 and NZ IFRS 7.

The Group has not yet assessed the impact of NZ IFRS 18 *Presentation and Disclosure in Financial Statements*. It is expected that the standard will impact the presentation of the financial statements.

Besides the items above, the Group does not expect these new and amended standards to have a material impact on the Group.

(e) *Accounting estimates and judgements made*

The preparation of the consolidated financial statements, in conformity with NZ IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis, with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation *(continued)*

(e) *Accounting estimates and judgements made (continued)*

Details of significant judgements and estimates made by management in the current period include:

Judgements

- Recognition (or not) of deferred tax assets related to carried forward tax losses (note 8).
- Useful life of externally acquired intangible assets (note 14).
- Recognition of research and development tax credits and research and development expenses (notes 6, note 7 and note 16).
- Determination of non-current assets held for sale (note 24).
- Preparation of the financial statements on a going concern basis (note 2(f)).

Estimates

- Assessment of impairment for non-financial assets (note 12 and note 14 and note 24).

The Group assess the potential climate related risks associated with the location of its facilities and other key operations in the regions it operates in and considers that there are no material impacts on the current consolidated financial statements.

(f) *Going Concern*

The consolidated condensed financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these consolidated financial statements.

Given the Group's net operating loss of $13,718,754 and net operating cash outflow of $3,736,479 for the year ended 30 June 2024, in addition to its reduced liquid net asset position, the Board and management have prepared operating cash flow forecasts for the next 12 months. This forecast is predicated on a number of significant funding events, including the sale of its facility and additional shareholder contributions and also includes key revenue milestones and, should these targets not be met, the Group will not have sufficient cash to meet its minimum expenditure commitments and support its current levels of activity.

2. Basis of preparation (continued)

(f) Going Concern (continued)

Accordingly, the Directors have evaluated the following factors in determining that the going concern assumption is appropriate:

(i) Subsequent to reporting date, the Group has entered into an agreement with a third party for the sale of its Gisborne facility which includes the leasehold buildings held as available for sale (refer to note 24) in addition to manufacturing and extraction equipment. The final agreed selling price is $1,300,000.

(ii) Management and the Board have engaged in dialogue with the Group's existing shareholders to secure additional funding to meet operational cashflow requirements.

(iii) The Group's operational forecasts include assumptions regarding a number of opportunities in key markets. As at the date of signing these financial statements, the Group has achieved the following:

- Successfully launched an additional product into Germany, a market in which it has had positive past sales revenues in;
- Introduced New Zealand grown genetics into products sold in Australia; and
- Obtained approval for the introduction of new products into the New Zealand market and established sales revenues for one product.

The Group has also forecast a number of significant operating milestones over the coming 12 months including:

- Product sales into the UK market under existing distribution agreements;
- Continued expansion of product offerings in Australia, Germany and New Zealand; and
- Establishment of Rua genetics in several countries including:
    - In Canada under license with Apollo Green; and
    - Ongoing trial crops in both Australia and Portugal.

These will further the Group's plans to achieve a sustainable operating model in line with its projections.

2. Basis of preparation (continued)

(f) Going Concern (continued)

The Directors believe that the Group will be sufficiently successful in achieving the above, and on this basis, are of the view that it is appropriate to continue to adopt the going concern assumption in the preparation of these consolidated financial statements.

In the immediate term, the Group is dependent on cash proceeds from the sale of its facility and committed shareholder support and should the expected funding be less than expected, the Group may be unable to manage its minimum cash expenditure commitments and enact on its forecasted revenue targets as outlined above.

Furthermore, should the Group be unsuccessful in achieving its revenue forecasts, or if actual revenue growth is lower than projected, the proceeds from the sale of the facility or the planned capital contributions alone may be insufficient to accommodate the Group's operational demands and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As such, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Accordingly, these consolidated financial statements do not include any adjustments relating to the classification and recoverability of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

(g) Fair value measurement

The fair value of certain assets and liabilities included in the Group's consolidated financial statements is disclosed.

Determining the fair value of these assets and liabilities utilises market observable inputs and data as far as possible.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

- Borrowings, disclosure of fair value (note 4)
- Financial assets and liabilities at amortised cost, disclosure of fair value (note 4)
- Assets in disposal groups held for sale (note 24)
- Impairment of non-financial assets (notes 12 and 24)

2. Basis of preparation (continued)

(h) Impairment of non-financial assets and Goodwill

The cash-generating unit to which Goodwill is allocated to is tested for impairment at each reporting date and, at any other time in which there are indicators of impairment (refer to note 13). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The carrying amounts of the Group's property, plant and equipment (note 12), intangible assets (note 14) and right-of-use assets (note 15) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount (being the higher of value-in-use and fair value less costs of disposal). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

3. Segment Reporting

The Group operates in one segment, its primary business being research and development and the sale of pharmaceutical products in Australia, Germany and New Zealand.

The chief operating decision maker has been identified as the Chief Executive Officer (CEO), as they make all the key strategic resource allocation decisions related to the Group's segment.

The Group currently derives revenue from customers through the sale of goods in Australia, Germany and New Zealand. The Group's revenues are analysed by geography on the basis of the jurisdiction in which the goods are sold and have been disaggregated in this way in note 5.

4. Financial instruments and Financial Risk Management and Capital Management

This note describes:

(A) The Group's accounting policies with respect to financial instruments recognised in the Group's consolidated financial statements, and detail of those balances.

(B) The nature of the financial risk that the Group is exposed to, and the Group's objectives, policies and processes for managing those risks, the methods used to measure them, and sensitivity analysis to movements in rates (where applicable).

(C) The nature of the Group's Capital Management policies.

(A) Financial instruments recognised

The Group recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Financial assets

The Group classifies its financial assets depending on the purpose for which the asset was acquired (i.e. the business model) and the contractual terms of the cash flows.

Amortised cost

These comprise cash and cash equivalents, certain trade and other receivables and term deposit investments.

Cash and cash equivalents comprise of cash on hand and demand deposits, as well as highly liquid deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with terms of 90 days or less.

These financial assets are:

- Initially measured at fair value, plus directly attributable transaction costs.
- Subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Cash and cash equivalents and investments are held with "investment grade" financial institutions and are deemed to have no significant increase in credit risk in terms of impairment.
- Derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred.

4. Financial instruments and Financial Risk Management and Capital Management *(continued)*

Financial liabilities

The Group classifies its financial liabilities depending on whether (or not) it meets the definition of a financial liability at fair value.

Financial liabilities at fair value through profit and loss

These comprise contingent consideration recognised in the consolidated statement of financial position and are carried at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities at amortised cost

These include trade and other payables and lease liabilities recognised in the consolidated statement of financial position.

These financial liabilities are:

- Initially measured at fair value, plus directly attributable transaction costs.
- Subsequently measured at amortised cost using the effective interest rate method.
- Derecognised when the contractual obligation to settle the obligation is discharged, cancelled, or expires.

Categories and fair values of the Group's financial instruments

2024 (unaudited)	Financial Assets at Amortised Cost	Financial Liabilities At Amortised Cost	Total Carrying Amount	Fair Value
	$	$	$	$
Cash and cash equivalents	895,131	-	895,131	*(a)*
Trade and other receivables	101,163	-	101,163	*(a)*
Trade payables	-	(419,503)	(419,503)	*(a)*
Lease liabilities	-	(147,780)	(147,780)	*(b)*
Total	996,294	(567,283)		

(a) Due to their short-term nature, the carrying value of these financial instruments approximates their fair value
(b) Not required to be disclosed per NZ IFRS 7.

4. Financial instruments and Financial Risk Management and Capital Management *(continued)*

2023 (audited)	Financial Assets at Amortised Cost	Financial Liabilities At Amortised Cost	Total Carrying Amount	Fair Value
	$	$	$	$
Investments	2,032,055	-	2,032,055	*(a)*
Cash and cash equivalents	2,529,338	-	2,529,338	*(a)*
Trade and other Receivables	173,620	-	173,620	*(a)*
Trade payables	-	(276,801)	(276,801)	*(a)*
Lease liabilities	-	(114,577)	(114,577)	*(b)*
Total	4,735,013	(391,378)		

(a) Due to their short-term nature, the carrying value of these financial instruments approximates their fair value.
(b) Not required to be disclosed per NZ IFRS 7.

Financial liabilities at fair value through profit or loss relates to contingent consideration from past business combinations:

	Note	30 June 2024 (unaudited)	30 June 2023 (audited)
		$	$
Opening balance		-	7,641,832
Arising on business combination		-	-
Change in fair value estimate		-	(5,851,032)
Consideration settled (shares)	20	-	(1,790,800)
Closing balance		-	-

(B) Financial risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance team also review the risk management policies and processes and report their findings to the Audit, Finance & Risk Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies as they relate to the specific financial risks that the Group is exposed to are set out below:

Through its operations, the Group is exposed to the following financial risks:

(a) Credit risk

(b) Market risk
   i. Interest rate risk, and
   ii. Foreign exchange risk

(c) Liquidity risk.

4. Financial instruments and Financial Risk Management and Capital Management *(continued)*

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial asset fails to meet their contractual obligations. The Group's exposure to credit risk is represented by the carrying amount of cash and cash equivalents, trade and other receivables and investments.

The Group only holds cash and cash equivalents and investments with financial institutions that are independently determined credit ratings of "A" or higher.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

The Group has an Audit, Finance & Risk Committee that monitors credit risk as part of its wider duties.

Cash and cash equivalents and investments held with financial institutions are presented in the table below:

		30 June 2024 (unaudited)		
	Credit rating [(a)]	Cash and cash equivalents	Investments	Total
		$	$	$
Kiwibank	A1, AA	715,905	-	715,905
ANZ	AA-, Aa2	179,226		179,226
Total		895,131	-	895,131

		30 June 2023 (audited)		
	Credit rating [(a)]	Cash and cash equivalents	Investments	Total
		$	$	$
Kiwibank	A1, AA	2,529,338	2,032,055	4,561,393
Total		2,529,338	2,032,055	4,561,393

(a) *Standard & Poor's, Moody's, Fitch*

Interest rates on interest bearing cash and cash equivalents and investments range between 4.80% - 5.00% (2023: 1.15% - 5.00%).

Cash and cash equivalents above comprise the following:

	2024 (unaudited)	2023 (audited)
	$	$
Cash on hand	571,208	2,529,338
Demand deposits	323,923	-
Total cash and cash equivalents	895,131	2,529,338

4. Financial instruments and Financial Risk Management and Capital Management *(continued)*

(b) Market risk

Market risk arises from the Group's:

- Use of interest-bearing borrowings (interest rate risk)
- Credit sales and purchases in foreign currencies (foreign currency risk), and
- Prices of key commodity inputs (price risk)

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is only exposed to fixed rate interest rates on its interest-bearing liabilities (lease liabilities).

ii. Foreign exchange risk

The Group is exposed to movements in foreign exchange rates through transactions and balances denominated in foreign currencies. The Group's exposures to foreign exchange risk are as follows:

- Sales transactions of $83,588 (2023: $268,207) denominated in foreign currencies, which are mainly denominated in Australian Dollar (2023: Euro).
- Inventory purchase transactions of $199,094 (2023: $208,222) denominated in foreign currencies, which are mainly denominated in Australian Dollar amounts.
- Net investments in foreign operations of $(416,445) (2023: $2,457).

The Group has an Audit, Finance & Risk Committee that monitors foreign exchange risk as part of its wider duties.

There are no open forward exchange contracts at the end of the reporting period (2023: no open forward exchange contracts).

The net foreign exchange gain recognised for the year was $4,556 (2023: $3,136 loss) (2024: note 6, 2023: note 7).

Sensitivity analysis

The following table presents the Group's sensitivity from a reasonably possible strengthening or weakening NZD against foreign currencies, with all other variables held constant.

	30 June 2024 (unaudited)		30 June 2023 (audited)	
	Equity	Profit	Equity	Profit
	$	$	$	$
10% strengthening of the NZD	6,685	5,013	5,727	7,954
10% weakening of the NZD	(6,685)	(5,013)	(13,564)	(18,839)

4. Financial instruments - Risk Management *(continued)*

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due (refer to note 2(f)).

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this the Group maintains a monthly forecast on its future cash position to ensure it can meet financial obligations when they fall due.

The Board receives monthly financial statements which include statements of financial position, performance, and cash flow, as well as budget/forecast variance reports, to ensure it holds or will hold cash equivalents to meet its obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

As at 30 June 2024 (unaudited)	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years	Over 5 years	Total
	$	$	$	$	$	$
Trade payables	419,503	-	-	-	-	419,503
Lease liabilities	21,048	44,847	59,976	48,716	-	174,587
Total	440,551	44,847	59,976	48,716	-	594,090
As at 30 June 2023 (audited)						
Trade payables	276,801	-	-	-	-	276,801
Lease liabilities	13,674	39,463	21,099	45,000	11,250	130,486
Total	290,475	39,463	21,099	45,000	11,250	407,287

(C) Capital Management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern (refer to note 2(f)), so that it can continue to fund activities for the purposes of deriving sustainable returns to its shareholders and other stakeholders.

The Group's capital structure consists of Equity of the Group (comprising issued capital and retained earnings). The Group is not subject to any externally imposed capital requirements.

The Board continually reviews the capital structure of the Group. As part of this review, the Board considers the availability and cost of capital and the risks associated therein.

5. Revenue from contracts with customers

The Group recognises revenue from the sale of pharmaceutical goods at a point-in-time when control of the goods has transferred to the customer. This is typically upon physical delivery of the goods to the customer's premise. The transaction price is set by the Group and is as per the agreed contracts in place with customers.

Where goods are sold through distributors, judgement is required to assess which party the Group passes control of the goods such that they are considered the Group's "customer" for accounting purposes (i.e., the distributer, or, the end-purchaser).

Consideration is given to which party has the substantive: (i) responsibility to fulfil the promise to provide goods (including obligations with respect to any returns); (ii) inventory risk over the goods; and, (iii) Rights to set pricing.

Typically, distributors in Australia and Germany are considered to be the Group's agents. Distributors in New Zealand are considered to be the Group's customers.

	2024 (unaudited) $	2023 (audited) $
Performance obligations satisfied at a point-in-time		
Sale of goods – New Zealand	2,249	89,467
Sale of goods – Australia	83,588	-
Sale of goods - Germany	-	268,208
Total Revenue from Contracts with Customers	85,837	357,675

6. Other income

(i) Government grants

The Group recognises government grants as other income rather than reducing the costs that they are intended to compensate.

The Group primarily receives government grants from the following entities:

- Inland Revenue Department (IRD), in the form of R&D tax incentive credits; and
- New Zealand Trade and Enterprise (NZTE).

R&D tax incentive credits are accounted for as government grant income as opposed to income tax credits as the benefit is independent of the taxable profit or tax liability where the Group is eligible for a cash refund; specific conditions exist for the Group, the R&D activities and the expenditure to be eligible for the tax credits; and the tax credits are not structured as an additional deduction in computing taxable profit.

The Group has reasonable assurance at the reporting date that the R&D tax incentive will be received and all attached conditions will be complied with. The Group expects to receive the tax credit when the return is filed subsequent to the end of the reporting period.

The Group also receives grant funding from NZTE in relation to promotion and export activities which it undertakes. Typically, grant funding is approved and paid only upon proof of eligible expenditure.

Other income streams recognised by the Group include:

	2024 (unaudited) $	2023 (audited) $
Research and development grant income	129,886	289,204
NZTE grant income	65,071	-
Other government grants	26,524	-
Total government grant income	221,481	289,204
Gain on sale of property, plant and equipment	772	-
Net foreign exchange gains	4,556	-
Gain on early termination of leases	-	13,096
Other Income	9,032	21,605
Total other income	235,841	323,905

7. Expenses

	Note	2024 (unaudited) $	2023 (audited) $
Specific expenses included in operating loss before net financing costs for the year:			
Cultivation costs		456,173	520,011
Extraction and manufacturing		25,899	437,849
Changes in inventories of finished goods and work in progress	11	204,143	339,551
Impairment expense	12, 14, 24	9,213,975	5,568,718
Accommodation and travel		78,296	116,300
Communications		133,557	85,002
Depreciation of property, plant and equipment		331,527	580,764
Depreciation of right-of-use lease assets		63,189	101,260
Distribution expenses		27,123	-
Amortisation – intangible assets		5,106	2,960
Direct research and development expenses*		46,168	290,324
General		149,785	275,238
Professional services		1,207,040	1,009,625
Insurance		180,463	157,050
Motor vehicle expenses		40,178	39,890
Charitable expenses		48,694	57,417
Licenses		45,556	51,324
Office expenses		32,865	68,690
Selling and marketing		438,955	935,047
Employee benefit expense		1,420,289	2,043,766
Foreign exchange loss		-	3,136
		14,148,981	12,683,922

** excludes cultivation, extraction and depreciation and other general overheads costs associated with research and development activities.*

Included in the above:

	2024 (unaudited) $	2023 (audited) $
Employee benefit expense		
- Short term benefits (wages and salaries)	1,014,773	1,869,596
- Defined contribution plan	34,035	83,554
- Share-based payment expense	371,481	90,616
Total employee benefit expense	1,420,289	2,043,766
Research and development expenses		
- Direct costs	419,770	290,324
- Indirect costs	756,383	1,297,380
Total research and development expenses	1,176,153	1,587,704

7. Expenses *(Continued)*

(i) Research and development

The Group's research and development operations are not actively in pursuit of commercial licenses and as such, the Group does not consider itself to be in the development phase. Accordingly, all research and development costs are expensed as incurred.

(ii) Fees paid to auditors

Fees paid to auditors include payments to PricewaterhouseCoopers for the following:

	2024 (unaudited) $	2023 (audited) $
Audit and review of the financial statements		
- Audit of the financial statements	142,633	135,775
- Review of half year financial statements	-	30,149
Total fees paid to auditors	142,633	165,924

8. Income tax

Tax expense/(credit) comprises current and deferred tax.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

8. Income Tax *(continued)*

(i) Income tax recognised in profit or loss

The income tax expense/(credit) recognised for the year includes current and deferred tax as presented below:

	2024 (unaudited) $	2023 (audited) $
Current tax on profits for the year	-	774
Total current tax	-	774
Origination and reversal of temporary differences	(167,282)	(1,351,212)
Prior year tax losses not recognised	167,282	1,351,212
Prior period adjustments	-	-
Total deferred tax expense	-	-
Total income tax expense	-	774

(ii) Reconciliation of income tax expense

The reconciliation of income tax expense is presented below:

	2024 (unaudited) $	2023 (audited) $
Loss before income tax expense	(13,718,754)	(5,958,506)
Tax expense/(income) @28%	(3,841,251)	(1,668,382)
Add/(less) reconciling items		
- Expenses not deductible for tax purposes	2,629,700	22,428
- Non-assessable income	(42,436)	(1,704,973)
- Tax losses not recognised for deferred tax	1,253,987	3,351,701
- Prior period adjustments	-	-
Total income tax expense	-	774

(iii) Imputation credits

The Company has $11,789 of imputation credits as at 30 June 2024 (2023: $769,357).

(iv) Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%.

Significant management judgement has been exercised to determine that future taxable profits for the Group are beyond a reliable forecast horizon and that no net deferred tax asset should be recognised.

An amount of deferred tax asset of $7,911,205 (2023: $6,664,656) has not been recognised. The unrecognised deferred tax asset is comprised of tax losses of $7,865,566 (2023: $6,451,736) and other temporary differences of $45,639 (2023: $212,920

8. Tax expense *(continued)*

(iv) Deferred tax (continued)

Details of the deferred tax asset and liability amounts recognised in profit or loss are as follows:

	Employee entitlements $	Property, plant and equipment $	Accruals $	Intangible assets $	Lease liabilities $	Right-of-use assets $	Share-based payments – equity settled $	Carried forward tax losses $	Total $
As at 1 July 2022 (audited)	44,908	(17,310)	-	(1,404,490)	230,720	(223,097)	18,057	1,351,212	-
Amounts recognised									
- In profit or loss	(16,404)	25,527	-	1,325,465	(198,638)	194,935	20,327	(1,351,212)	-
- Arising on business combinations	-	-	-	-	-		-	-	-
- In OCI	-	-	-	-	-		-	-	-
At 30 June 2023 (audited)	28,504	8,217	-	(79,025)	32,082	(28,162)	38,384	-	-
As at 1 July 2023 (audited)	28,504	8,217	-	(79,025)	32,082	(28,162)	38,384	-	-
Amounts recognised									
- In profit or loss	(28,504)	(6,099)	(1,927)	79,025	10,973	(15,084)	(38,384)	-	-
- Arising on business combinations	-	-	-	-	-		-	-	-
- In OCI	-	-	-	-	-		-	-	-
At 30 June 2024 (unaudited)	-	2,118	(1,927)	-	43,055	(43,246)	-	-	-

9. Notes supporting statement of cash flows

(i) Reconciliation of net operating cash flows to profit/loss

	2024 (unaudited) $	2023 (audited) $
Net loss for the year	(13,718,754)	(5,959,280)
Adjustments for non-cash and non-operating activity items:		
- *Add back*: Depreciation – Property, Plant & Equipment[3]	331,526	580,764
- *Add back*: Depreciation – RoU lease asset[3]	63,171	101,265
- *Add back*: Amortisation – Intangible asset	5,106	2,960
- *Add back*: Impairment expense	9,213,975	5,568,720
- *Deduct*: Gain on sale of Property, Plant & Equipment	(771)	-
- *Add back:* Loss on sale of Property, Plant & Equipment	-	11,347
- *Deduct*: Gain on early termination of leases	-	(13,199)
- *Add back:* Share-based payment expense	371,481	90,616
- *Add back*: Interest expense	16,925	19,079
- *Deduct*: Interest income	(125,420)	(202,129)
- *Add back*: Cost of goods given away under CAS	-	52,268
- *Deduct*: Fair value gain on contingent consideration	-	(5,851,032)
	9,875,993	360,659
Movements in working capital:		
- (Increase)/decrease in other receivables [1]	589,469	(292,629)
- (Increase)/decrease in prepayments	(320,655)	3,160
- (Increase)/decrease in inventories	(260,810)	152,217
- Increase/(decrease) in trade and other payables [2]	26,598	93,763
- Increase/(decrease) in contract liabilities	-	(2,062)
- Increase/(decrease) in employee benefit liabilities	15,565	(279,652)
- Increase/(decrease) in deferred grant income	56,115	3,603
	106,282	(321,600)
Net cash outflows from operating activities	(3,736,479)	(5,920,221)

[1] *Excludes accruals for interest income (investing activity)*

[2] *Excludes accruals for interest expense (financing activity), and payables related to property, plant & equipment (investing activity)*

[3] *Depreciation of $nil (2023: $5,790) and amortisation of $5,106 (2023: $3,583) related to building facilities, plant and equipment and intangible assets used to manufacture and procure is included in changes in inventories of finished goods and work in progress.*

9. Notes supporting statement of cash flows *(continued)*

(ii) Changes in the Group’s liabilities arising from financing activities (cash and non-cash)

30 June 2024 (unaudited)		NON-CASH	NON-CASH	NON-CASH	CASH	
	Opening	New leases	Lease remeasurements	Transferred to disposal groups	Payment	Closing
	$	$	$	$	$	$
Lease liabilities	114,577	116,514	529	(5,988)	(77,852)	147,780
	114,577	116,514	529	(5,988)	(77,852)	147,780

30 June 2023 (audited)		NON-CASH	NON-CASH	NON-CASH	CASH	
	Opening	New leases	Lease remeasurements	Transferred to disposal groups	Payment	Closing
	$	$	$	$	$	$
Lease liabilities	824,002	-	(608,129)	-	(101,296)	114,577
	824,002	-	(608,129)	-	(101,296)	114,577

10. Earnings per share

In both years, the Group has not adjusted the weighted average number of shares used in diluted EPS to reflect the impact of outstanding share-options granted, because as the Group is loss-making, the impact of the outstanding share options granted is “anti-dilutive” (i.e. decreases the loss per share).

Numerator	2024 (unaudited) $	2023 (audited) $
(Loss) for the year and earnings (basic and diluted EPS)	(13,725,088)	(5,959,280)

Denominator	2024 (unaudited) No. shares	2023 (audited) No. shares
Weighted average number of shares (basic and diluted EPS)	158,264,526	153,728,201

11. Inventory

Inventories are recognised at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. All inventories are held at their net realisable value at reporting date.

Inventories are measured on a first-in-first-out basis to determine the cost of ordinarily interchangeable items.

	2024 (unaudited) $	2023 (audited) $
Finished Goods	277,534	14,319
Total	277,534	14,319

Amounts recognised in profit or loss

Inventories recognised as an expense during the year amounted to $61,350 (2023: $242,285).

The Group reported write-downs of inventory to net realisable value of $142,793 (2023: $97,266) in the consolidated statement of profit or loss and other comprehensive income.

12. Property, plant and equipment

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Costs includes expenditure directly attributable to the acquisition of assets.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset based on estimates by management. Assets' estimated useful life are reassessed annually. The following estimated depreciation rates have been used:

- Buildings and fitout 2% to 50% (2023: 2% to 50%)
- Cultivation Containers 10% (2023: 10%)
- Office Equipment 13% to 67% (2023: 13% to 67%)
- Plant and Equipment 8% to 100% (2023: 8% to 100%)
- Vehicles 13% to 40% (2023: 13% - 40%)

Impairment

The plant and equipment was also written down to its recoverable amount of $400,000 (2023: $517,040), which was determined in reference to the fair value less costs of disposal of the various assets. The level 3 fair value of these assets was derived using the sales comparison approach. The key input under this approach was the recent observable selling prices for assets of similar nature, adjusted for condition and location.

12. Property, plant and equipment *(continued)*

Year ended 30 June 2024	Note	Buildings and fitout $	Cultivation Containers $	Office Equipment $	Plant and equipment $	Vehicles $	Capital works $	Total $
Opening net book value (unaudited)		3,358,327	104,652	77,307	854,953	43,442	-	4,438,681
Additions		1,208	-	-	-	-	-	1,208
Depreciation charge		(181,262)	(10,465)	(12,654)	(116,879)	(10,267)	-	(331,527)
Impairment charge		-	-	-	(153,623)	-	-	(153,623)
Disposals		-	-	(3,860)	(40,358)	(5,305)	-	(49,523)
Classified as held for sale	24	(1,387,517)	-	-	-	-	-	(1,387,517)
Closing net book value (unaudited)		1,790,756	94,187	60,793	544,093	27,870	-	2,517,699
Cost		3,441,979	159,196	140,648	1,783,739	160,473	-	5,686,035
Accumulated impairment		(486,230)	-	-	(509,204)	-	-	(995,434)
Accumulated depreciation		(1,164,993)	(65,009)	(79,855)	(730,442)	(132,603)	-	(2,172,902)
Net book amount		1,790,756	94,187	60,793	544,093	27,870	-	2,517,699

12. Property, plant and equipment *(continued)*

Year ended 30 June 2023	Buildings and fitout $	Cultivation Containers $	Office Equipment $	Plant and equipment $	Vehicles $	Capital works $	Total $
Opening net book value (audited)	4,146,968	116,281	112,777	1,418,068	39,989	9,201	5,843,284
Additions	11,488	-	8,321	24,169	20,591	-	64,569
Depreciation charge	(313,899)	(11,629)	(24,497)	(213,600)	(17,138)	-	(580,763)
Impairment charge	(486,230)	-	-	(355,581)	-	-	(841,811)
Disposals	-	-	(19,294)	(27,304)	-	-	(46,598)
Transfers	-	-	-	9,201	-	(9,201)	-
Closing net book value (audited)	3,358,327	104,652	77,307	854,953	43,442	-	4,438,681
Cost	4,828,288	159,196	151,439	1,874,337	181,786	-	7,195,046
Accumulated impairment	(486,230)	-	-	(355,581)	-	-	(841,811)
Accumulated depreciation	(983,731)	(54,544)	(74,132)	(663,803)	(138,344)	-	(1,914,554)
Net book amount	3,358,327	104,652	77,307	854,953	43,442	-	4,438,681

13. Goodwill

Any impairment recognised against goodwill is not subsequently reversed in future periods where the recoverable amount of a CGU increases above its carrying amount.

(i) Impairment testing of goodwill

Goodwill is monitored at a company level, of a single cash-generating-unit (CGU).

The Group tests whether goodwill has suffered any impairment on an annual basis or where there are specific indicators of impairment in the period. For the year to 30 June 2024, goodwill was tested for impairment as at 31 December 2023, and again as at 30 June 2024 (2023: 30 June 2023).

Year to 30 June 2024: Goodwill impairment testing (Value-in-use)

The recoverable amount of the CGU has been determined based on its *value-in-use* (2023: *Fair value less costs of disposal*).

Value-in-use calculations require the use of various estimates and judgements. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period which include consideration of the following:

- The existing competitive environment in the key markets which the Group currently operates in, including the Group's existing and projected market share, and indicators of overall growth in those markets.
- The current life-cycle stage of the medicinal cannabis industry and the continued trajectory towards maturity.
- The maturation of supply chains in the industry, as well as the Group's ability to exploit these going forward.
- The Group's current loss-making position, reflecting its early commercial phase, and operating cashflow requirements as well as the steps taken to date to address these.

13. Goodwill *(continued)*

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts in industry reports specific to the industry in which the CGU operates:

Assumptions and approach used to determine values	As at 31 December 2023 (unaudited)	As at 30 June 2024 (unaudited)
Forecasted sales and costs of sales *This is based on current market share in existing sales channels as well as industry trends as at the reporting date.* *Cash flows for the next five-year period are extrapolated using annual estimated growth rates comprising a compound annual growth rate ('CAGR'). The CAGR reflects the low base the business is beginning with, growth rates consistent with forecasts in industry reports specific to the industry in which the CGU operates, the supply agreements the business has in place and the markets in which the business currently has distribution agreements in place or employees in market.*	110%	39.04%
Pre-tax discount rate *Reflects specific risks relating to the relevant activities of the Group.*	25.13%	21.86%
Long-term growth rate *This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.*	2%	2%

13. Goodwill *(continued)*

As at 31 December 2023, the carrying value of the entire CGU was $13,354,348 which exceeded the recoverable amount of the CGU by $5,101,213 and as a result, the Group recognised an impairment loss of $8,253,135 against the carrying value of goodwill.

This goodwill impairment, a significant portion of which was attributed to the historical acquisition of Zalm Therapeutics, stems from a comprehensive analysis conducted by Management and the Board. Through this analysis, which evaluated various growth scenarios, it became apparent that the acquisition had not delivered the expected financial returns.

Goodwill was tested again for impairment as at 30 June 2024 based on internal indicators of impairment due to the Group not meeting its short-term forecasts predominantly as a result of regulatory delays. As at 30 June 2024, the recoverable amount of the entire CGU was $5,044,236 which exceeds its carrying amount by $1,145. Management believe that the headroom at 30 June 2024 reflects the fact that significant impairment has already been recognised at 31 December 2023.

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal:

Key assumption	Sensitivity (unaudited)
Forecasted sales and costs of sales/'CAGR'	Reduction from 39.04% to 39.02%
Pre-tax discount rate	Increase from 21.86% to 21.87%
Long-term growth rate	Reduction from 2.00% to 1.99%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

<u>Year to 30 June 2023: Goodwill impairment testing (Fair value less costs of disposal)</u>

The recoverable amount of the CGU as at 30 June 2023 was determined based on the price that would be received between market participants at the measurement date, less any directly incremental transaction costs and costs to bring the CGU to a saleable condition.

The recoverable value was based on an estimate of market value at the reporting date based on the quoted share price of $0.15 per share. The share issue price at reporting date is based on the quoted price on the NZX listed exchange and represents a "level 1" fair value measurement per the fair value hierarchy.

In determining the recoverable value of the CGU, the Group had headroom of $4,232,720 (2022: $25,262,067) over the carrying value. No impairment of goodwill was recognised as at 30 June 2023.

14. Intangible assets

Intangible assets are stated at historical cost (being their acquisition date fair value if acquired in a business combination) less any accumulated amortisation and impairment losses.

The following estimated amortisation rates have been used:

Intangible asset	Useful economic life
Supplier contracts	Finite – based on units of production (refer below)

Supplier contracts are amortised on a units-of-supply basis, being the actual volume of units purchased for production relative to the expected volumes purchased over the life of the contract.

	Goodwill $	Supplier Contracts $	Total $
(i) Cost			
At 1 July 2023b (audited)	10,448,082	5,016,035	15,464,117
At 30 June 2024 (unaudited)	10,448,082	5,016,035	15,464,117
At 1 July 2022 (audited)	10,448,082	5,016,035	15,464,117
At 30 June 2023 (audited)	10,448,082	5,016,035	15,464,117
(ii) Accumulated amortisation and impairment			
At 1 July 2023 (audited)	-	(4,729,867)	(4,729,867)
Amortisation charge	-	(5,961)	(5,961)
Impairment charge	(8,253,135)	(280,207)	(8,533,342)
At 30 June 2024 (unaudited)	(8,253,135)	(5,016,035)	(13,269,170)
At 1 July 2022 (audited)	-	-	-
Amortisation charge	-	(2,960)	(2,960)
Impairment charge	-	(4,726,907)	(4,726,907)
At 30 June 2023 (unaudited)	-	(4,729,867)	(4,729,867)
(iii) Net book value			
At 1 July 2022 (audited)	10,448,082	5,016,035	15,464,117
At 30 June 2023 (audited)	10,448,082	286,168	10,734,250
At 30 June 2024 (unaudited)	2,194,947	-	2,194,947

Impairment

During the year ended 30 June 2024, the Group was notified by Cann Group that they had given notice to terminate its existing in-place supply agreement. There is a 12-month notice period under the terms of the contract. As a result, an impairment charge of $280,207 has been recognised against the supply contract to reflect the remaining estimated volumes that the Group expects to purchase under the contract across the remaining period.

15. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate, however in such cases the initial present value determination assumes that the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically make-good provisions on buildings)

Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Right-of-use assets are also subject to impairment assessment at reporting date.

(i) Information regarding the Group's leases and leasing activity

The Group leases a number of properties including land, buildings, including commercial office premises, in the jurisdiction from which it operates.

As standard industry practice, one of the Group's property leases are subject to periodic CPI increases and/or market rent reviews. A 1% increase in these payments would result in an additional $692 cash outflow (2023: $244) compared to the current period's cash outflow.

The Group's property leases typically include renewal and termination options. The Group must assess whether it reasonably expects (or not) to exercise these when determining the lease term.

The Group has one property lease (2023: has one property lease) where the Group has assessed it does not reasonably expect to exercise all available renewal options, resulting in a potential additional lease term of 2 years (2023: 2 years) and potential future lease payments of $48,792 (2023: $48,792) that are not currently included in measurement of the lease liability recognised for these leases.

15. Leases *(continued)*

(ii) Lease related balances as at period end, and amounts for the period

	Note	2024 (unaudited) $	2023 (audited) $
Expenses and income in the period			
Depreciation			
- Leases of property (land and buildings)		50,678	47,545
- Vehicles		12,511	32,383
- Plant		-	21,333
Interest expense		16,874	19,087
Balance sheet and cash flow statements			
Carrying amount of Right-of-use asset			
- Leases of property (land and buildings)		135,176	88,606
- Vehicles		-	11,978
- Plant		-	-
Lease liabilities	9(ii)	147,780	114,577
Additions to Right-of-use assets		117,045	-
Total cash outflow related to leases		94,740	120,379

16. Trade and other receivables

	Note	2024 (unaudited) $	2023 (audited) $
Financial assets classified as amortised cost – current			
Trade receivables		26,163	98,620
Less: provision for impairment of trade receivables		-	-
Trade receivables – net		26,163	98,620
Financial assets classified as amortised cost – non-current			
Non-trade receivables		75,000	75,000
Financial assets classified as amortised cost - total	4	101,163	173,620
GST receivable		75,287	36,416
Withholding tax receivable		11,789	86,945
Government grants receivable			
- Research and development tax credit		163,369	641,010
- Other		-	-
Other receivables		250,445	764,371
Total trade and other receivables		351,608	937,991

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. This is based on a provision matrix which measures expected credit loss on a collective basis where trade receivables are grouped based on similar credit risk and rating.

The expected loss rates are based on the Group's historical credit losses. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. At reporting date, none of the Group's trade receivables were past 30 days due.

17. Prepayments

	Note	2024 (unaudited) $	2023 (audited) $
Prepaid inventory		333,844	104,247
Other prepayments		154,063	59,115
Total prepayments		487,907	163,362

Prepayments for future goods and services are recognised in the consolidated statement of profit or loss and comprehensive income when the Group obtains control of the associated good or service.

18. Trade and other payables

	Note	2024 (unaudited) $	2023 (audited) $
Trade payables	4	419,503	276,801
Audit fee accrual		110,783	61,750
Other payables		23,951	183,993
Total trade and other payables		554,237	522,544

19. Employee benefit liabilities

	2024 (unaudited) $	2023 (audited) $
Short term employee benefits payable		
- Wages and salaries	65,696	73,780
- Accrual for annual and sick leave	127,857	104,840
	193,553	178,620
Defined contribution plan ('Kiwisaver') payable	2,349	1,463
Total employee benefit liabilities	195,902	180,083

20. Share Capital and Reserves

	2024 (unaudited) No.	2023 (audited) No.
Opening shares	158,136,265	149,879,267
Shares issued*,**	1,614,314	8,256,998
Total share capital	159,750,579	158,136,265

** During the year ended 30 June 2024:*

- *1,614,314 vested share options were exercised into ordinary shares.*

*** During the year ended 30 June 2023:*

- *116,998 vested share options were exercised into ordinary shares.*
- *8,140,000 ordinary shares were issued as part of the Milestone 1 consideration paid the acquisition of Zalm Therapeutics Limited.*

At 30 June 2024, share capital comprised 159,750,579 authorised and issued ordinary shares (2023: 158,136,265). All issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group, and rank equally with regard to the Group's residual assets. Dividends are unlikely to be declared whilst the Group is in the growth phase.

Reserves
Exchange differences arising on the retranslation of the foreign operation are accumulated in the foreign currency translation reserve.

Share-based payments (refer to note 23) are recognised as an expense, with a corresponding increase in equity (share-based payment reserve), over the vesting period of the awards.

21. Related party transactions

(i) Company information

The Group has no ultimate parent entity. There are no individual shareholders holding more than 20% of the ordinary shares of the Group at reporting date.

(ii) Transactions and balances with related parties

During the year the Group entered into the below transactions with entities related to key management personnel.

	Nature of transactions	Sale/(purchase) amount $	Amounts receivable/ (payable) $
30 June 2024 (unaudited)			
EECOMS Limited	Sales	3,000	-
Hikurangi Enterprises Limited	Sales	209	-
Zenoch Management Limited	Purchases	(52,500)	(4,744)
30 June 2023 (audited)			
Alvarium Investments (NZ) Limited	Purchases	(2,300)	-
Ciprian Consulting	Purchases	(4,337)	-
Hikurangi Enterprises Limited	Sales	1,000	
Mitchell Family Trust	Purchases	(1,087)	-

(iii) Key management personnel compensation

Compensation of key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors) was as follows:

	2024 (unaudited) $	2023 (audited) $
Directors fees	237,000	261,462
Short-term employee benefits	271,542	1,164,683
Defined contribution plan payments	7,655	39,996
Share-based payment expense	135,087	127,426
Total key management personnel compensation	651,284	1,593,567
Key management personnel compensation payable	21,703	44,170

22. Contingent liabilities

There were no contingent liabilities at balance date that would affect the consolidated financial statements.

23. Share-based payments

(a) Key features and balances of ESOPs

The Group grants options to certain employees under a number of employee share option schemes which are classified and accounted for as *equity-settled* share-based payments.

In the prior period:

- ESOP Issue #4 was issued and is subject to the following conditions:
  - Are subject to a general service vesting condition (i.e. if the party terminates their employment with the company, the share options are forfeited);
  - Are subject to a market condition based on the VWAP for the 10-trading-day prior to vesting date;
  - Grant a variable number of options subject to the market conditions met at the vesting date;
  - Have a $nil exercise price; and
  - Are subject to the following exercise dates:
    - One third can be exercised one month after vesting
    - One third can be exercised one year after vesting
    - One third can be exercised two years after vesting
- ESOP Issue #5 was issued and is subject to the following conditions:
  - Are subject to a general service vesting condition (i.e., if the party terminates their employment with the company, the unvested share options are forfeited);
  - Have a $nil exercise price; and
  - Vest to the participating employees daily such that each award constitutes a separate tranche with an equal number of options and identical terms and conditions.
- ESOP Issue #6 was issued and is subject to the following conditions:
  - Are subject to a general service vesting condition (i.e., if the party terminates their employment with the company, the unvested share options are forfeited); and
  - Have a $nil exercise price.

23. Share-based payments *(continued)*

(b) Key features and balances of ESOPs *(continued)*

(i) Balance of share options issued that are still yet to vest

	Issue #4 No.	Issue #5 No.	Issue #6 No.	Total No.
At 1 July 2022 (audited)	2,317,200	-	-	2,317,200
- Options issued	-	2,450,000	2,100,000	4,550,000
- Options vested	-	(272,721)	-	(272,721)
- Options forfeited	(1,617,800)	(933,002)	-	(2,550,802)
At 30 June 2023 (audited)	699,400	1,244,277	2,100,000	4,043,677
At 1 July 2023 (audited)	699,400	1,244,277	2,100,000	4,043,677
- Options issued	-	-	-	-
- Options vested	-	(468,403)	(1,614,314)	(2,082,717)
- Options forfeited	(699,400)	-	(485,686)	(1,185,086)
At 30 June 2024 (unaudited)	-	775,874	-	775,874

(ii) Balance of vested share options yet to be exercised

	Issue #4 No.	Issue #5 No.	Issue #6 No.	Total No.
At 1 July 2022 (audited)	-	-	-	-
- New options vested	-	272,721	-	272,721
- Options exercised	-	(116,998)	-	(116,998)
At 30 June 2023 (audited)	-	155,723	-	155,723
At 1 July 2023 (audited)	-	155,723	-	155,723
- New options vested	-	468,403	1,614,314	2,082,717
- Options exercised	-	-	(1,614,314)	(1,614,314)
At 30 June 2024 (unaudited)	-	624,126	-	624,126

23. Share-based payments *(continued)*

(c) Specific ESOP details

ESOP Issue #4	Equity Settled 2024 (unaudited)	Equity Settled 2023 (audited)
Option pricing model used	Monte-Carlo	Monte-Carlo
Weighted average share price	$0.23	$0.23
Exercise price	$nil	$nil
Weighted average contractual life (in days)	-	*366*
Volatility	85%	85%

ESOP Issue #5	Equity Settled 2024 (unaudited)	Equity Settled 2023 (audited)
Option pricing model used	Binomial	Binomial
Weighted average share price	$0.17	$0.17
Exercise price	$nil	$nil
Weighted average contractual life (in days)	*122*	*488*
Volatility	78%	78%

ESOP Issue #6	Equity Settled 2024 (unaudited)	Equity Settled 2023 (audited)
Option pricing model used	Binomial	Binomial
Weighted average share price	$0.16	$0.16
Exercise price	$nil	$nil
Weighted average contractual life (in days)	-	*187*
Volatility	81%	81%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last 3 years and 6 months of stock movements at the date of issue, matching the time to expiry on the options.

24. Assets held for sale

Non-current assets are classified as held for sale when their sale is highly probable within 12 months of meeting the criteria for that classification. Following the classification as held for sale, non-current assets are not depreciated.

In October 2023, the Group engaged real estate agent Bayleys to market its manufacturing facility for sale which resulted in the associated property, plant and equipment and right-of-use assets meeting the criteria for held for sale from that date.

The following assets and liabilities were reclassified as held for sale as at 30 June 2024 in relation to the Group's decision to market its manufacturing facility for sale as part of its wider operational restructure:

	Note	Net book value transferred to assets held for sale	Fair value/ impairment loss	30 June 2024 (unaudited)
Assets classified as held for sale				
Property, plant and equipment	12	1,387,517	(527,010)	860,507
Right-of-use assets		19,274	-	19,274
Total assets held for sale		1,406,791	(527,010)	879,781
Liabilities classified as held for sale				
Lease liabilities		(5,988)	-	(5,988)
Total liabilities classified as held for sale		(5,988)	-	(5,988)
Total net assets held for sale		1,400,803	(527,010)	873,793

Assets classified as held for sale during the period ended 30 June 2024 were measured at the lower of their carrying value and fair value less costs to sell at the time of the reclassification.

Property, plant and equipment held for sale was written down to its fair value less costs of disposal of $860,507 as at reporting date. The level 3 fair value of these assets was derived using the sales comparison approach. The key input under this approach was the recent observable selling prices for assets of similar nature, adjusted for condition and location.

25. Events after the reporting date

As outlined in note 2(f), the Group has entered into an agreement for the sale of its Gisborne manufacturing facility for $1.3 million. The sale is conditional upon assignment of the underlying land lease which is expected to occur.

There were no other events subsequent to reporting date that would materially affect these consolidated financial statements.

26. Subsidiaries

The principal subsidiaries of Rua Bioscience Limited, which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 30 June		Non-Controlling interests ownership/voting interest at 30 June	
		2024 (unaudited)	2023 (audited)	2024 (unaudited)	2023 (audited)
Zalm Therapeutics Limited*	New Zealand	-	100%	-	-
Rua Bioscience Australia PTY Limited	Australia	100%	100%	-	-

*On 13 September 2023, the net assets of Zalm Therapeutics Limited were transferred by way of a distribution to the Company, and then deregistered.

27. Net tangible assets

Net tangible assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules. The calculation of the Group's net tangible assets per share and its reconciliation to the consolidated balance sheet is presented below:

	2024 (unaudited) $	2023 (audited) $
Total assets	7,739,783	20,950,572
(less): Intangible assets	(2,194,947)	(10,734,250)
(less): total liabilities	(973,125)	(830,307)
Net tangible assets	4,571,711	9,386,015
Number of shares issued at balance date	159,750,579	158,136,265
Net tangible assets per share	0.03	0.06