Aether Pacific Pharmaceuticals Limited

# 2022 Consolidated Financial Statements

For the 15 months ended 30 June 2022

# Aether Pacific Pharmaceuticals Limited and Controlled Entity Consolidated Statement of Comprehensive Income For the 15 month period ended 30 June 2022

| | | Group | |
|---|---|---|---|
| | | 15 months | Year to |
| | | 30-Jun-22 | 31-Mar-21 |
| | Note | $ | $ |
| Revenue | 1 | 18,384 | - |
| Cost of Production | | (633,077) | (9,164) |
| Gross Margin | | (614,693) | (9,164) |
| Other income | 2 | 64,600 | 11,732 |
| Excess purchase consideration over fair value | 12 | (1,291,525) | - |
| Impairment of Patents | 12 | (2,018,462) | - |
| Other Operating Expenses | 3 | (3,827,295) | (1,068,629) |
| **Operating profit/(loss) before other costs** | | **(7,687,375)** | **(1,066,061)** |
| Finance expenses | 4 | (101,645) | (49,861) |
| **Net financing costs** | | **(101,645)** | **(49,861)** |
| Profit/(Loss) before tax | | (7,789,020) | (1,115,922) |
| Income Tax benefit/(expense) | 5 | - | - |
| **Profit/(Loss) for the period after tax** | | **(7,789,020)** | **(1,115,922)** |
| **Other comprehensive income/(loss)** | | - | - |
| **Total other comprehensive income/(loss)** | | - | - |
| **Total comprehensive income/(loss) for the period** | | **(7,789,020)** | **(1,115,922)** |

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

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# Aether Pacific Pharmaceuticals Limited and Controlled Entity Consolidated Statement of Changes in Equity For the 15 month period ended 30 June 2022

| | Paid Capital | Equity Component of Convertible Note | Retained Earnings | Total |
|---|---|---|---|---|
| **Opening balances as 1st April 2021** | 3,846,491 | | (1,865,183) | 1,981,308 |
| Comprehensive income for the period | | | (7,789,020) | (7,789,020) |
| **Transaction with owner, recorded directly in equity** | | | | |
| Share capital issues gross receipts | 8,329,925 | | | 8,329,925 |
| Share capitals issues-costs | (341,507) | | | (341,507) |
| Share issue on acquisition | 3,309,987 | | | 3,309,987 |
| Share capital returned | (462,951) | | | (462,951) |
| **Balance at 30 June 2022.** | **14,681,945** | **-** | **(9,654,203)** | **5,027,743** |
| | | | | - |
| Opening balances at as 1st April 2020 | 535,000 | 26,177 | (749,261) | (188,084) |
| Profit for the period | | | (1,115,922) | (1,115,922) |
| Other comprehensive income | | | | |
| | | | | - |
| Equity Component of Convertible Notes | | 760,999 | | 760,999 |
| Equity Component of Convertible Notes-Ordinary Shares | | (787,176) | | (787,176) |
| **Total comprehensive income for the period** | | (26,177) | (1,115,922) | (1,142,099) |
| **Transaction with owner, recorded directly in equity** | | | | |
| | | | | - |
| Share capital issues | 3,311,491 | | | 3,311,491 |
| **Balance at 30 March 2021.** | **3,846,491** | **-** | **(1,865,183)** | **1,981,308** |

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Aether Pacific Pharmaceuticals Limited
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# Aether Pacific Pharmaceuticals Limited and Controlled Entity
# Consolidated Statement of Financial Position For the 15 month period ended 30 June 2022

| | | Group | |
|---|---|---|---|
| | | 30-Jun-22 | 31-Mar-21 |
| | Note | $ | $ |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 4,908,769 | 1,399,537 |
| Right of Use Assets | 11 | 2,056,660 | 1,390,064 |
| Intangibles | 10 | 9,812 | 3,433 |
| Other Intangible assets - Patents | 13 | 50,370 | - |
| **Total non-current assets** | | **7,025,610** | **2,793,034** |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 138,366 | 769,824 |
| Trade and other receivables | 7 | 442,114 | 169,136 |
| Inventories | 8 | 182,251 | 8,453 |
| **Total current assets** | | **762,731** | **947,413** |
| **Total assets** | | **7,788,341** | **3,740,447** |
| **EQUITY** | | | |
| Issued capital | | 14,681,945 | 3,846,489 |
| Accumulated losses | | (9,654,203) | (1,865,181) |
| **Total equity** | 14 | **5,027,743** | **1,981,308** |
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Lease liabilities | 11 | 1,858,509 | 1,287,612 |
| **Total non-current liabilities** | | **1,858,509** | **1,287,612** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 638,273 | 302,325 |
| Lease liabilities | 11 | 252,163 | 123,053 |
| Loans | 15 | 11,653 | 46,149 |
| **Total current liabilities** | | **902,089** | **471,527** |
| **Total liabilities** | | **2,760,598** | **1,759,139** |
| **Total equity and liabilities** | | **7,788,341** | **3,740,447** |

The financial statements were authorised for issue by the Board on Feb 29, 2024.

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Rocco Pienaar
Director
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Aldo Miccio
Director
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The accompanying notes form part of, and should be read in conjunction with, these financial statements.

# Aether Pacific Pharmaceuticals Limited and Controlled Entity
## Consolidated Statement of Cash Flows
## For the 15-month period ended 30 June 2022

| | Note | Group 15 months 30-Jun-22 $ | Year to 31-Mar-21 $ |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Revenue from sales | | 21,142 | - |
| Grants received | | 64,600 | 11,732 |
| Payments to suppliers and employees | | (4,091,065) | (859,226) |
| Interest paid | | (101,645) | (49,861) |
| Net GST | | 10,037 | (67,302) |
| **Net cash used in operating activities** | 19 | **(4,096,931)** | **(964,657)** |
| | | | |
| **Cash flows used in investing activities** | | | |
| Purchases of PPE | 9 | (3,773,714) | (1,500,783) |
| Purchase of Motor Vehicle | | (14,420) | |
| Purchase of intangible assets | 10 &13 | (58,680) | - |
| **Net cash used in investing activities** | | **(3,846,814)** | **(1,500,783)** |
| | | | |
| **Cash flows used in financing activities** | | | |
| Proceeds from Capital Contribution | 14 | 8,329,925 | 3,165,498 |
| New capital raising costs of issuance | 14 | (341,507) | |
| Return of capital | 14 | (462,951) | - |
| Principal portion of lease repayments | | (174,025) | - |
| Interest payable on convertible notes | 16 | (4,660) | - |
| Advances received (paid) | | (34,496) | 41,578 |
| **Net cash generated from financing activities** | | **7,312,286** | **3,207,076** |
| | | | |
| **Net increase/ (decrease) in cash held** | | **(631,458)** | **741,636** |
| **Cash and bank accounts at beginning of period** | | **769,824** | **28,188** |
| **Cash and bank accounts at the end of period** | 6 | **138,366** | **769,824** |

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

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## Statement of Significant Accounting Policies

The material accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**(1) General Information**

Aether Pacific Pharmaceuticals Limited, formerly known as Medical Kiwi Limited (Company) is a company incorporated and domiciled in New Zealand. The company was incorporated on 14th December 2018. The consolidated Financial Report of the Group as at and for the 15 months ended 30th June 2022 comprises the Company and its subsidiary (together referred to as the 'Group').

During the period the Company changed its balance date from 31 March to 30 June, accordingly the financial statements are for a 15 month period. The comparative information is for a 12 month period.

The nature of the operations and principal activities of the Group are described in the Director's Report

The financial statements were authorised for issue by the Board on Feb 29, 2024.

*Reissue of Financial Statements*

These financial statements are a reissue of the financial statements which were dated 23 May 2023. The reason for the reissuance of the financial statements is that after due considerations, the directors believe additional disclosures when considering the going concern assumption, were not fully disclosed in the financial statements dated 23 May 2023. Going concern related disclosures have been amended in these reissued financial statements.

Disclosures in Paragraph 4 of Significant Accounting Policies - 'Going Concern' and Note 22 'Subsequent events' have been revised in these financial statements.

**(2) Statement of compliance**

The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and in accordance with Companies Act 1993 and Financial Reporting Act 2013.

The Group is a For- profit entity and has elected to report in accordance with Tier 1 For-profit Accounting Standards as issued by the New Zealand External Reporting Board (XRB).

**(3) Basis of measurement**

The financial statements have been prepared on a historical cost basis, unless otherwise stated.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern, see (4) below.

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

**(4) Going Concern**

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

**Material uncertainty in relation to going concern.**

The Group has incurred a net loss after tax of $7,789,020 (2021: $1,115,922) and an operating net cash outflow of $4,096,931 during the 15-month period ended 30 June 2022, and, as of that date, the Group's current liabilities exceeded its current assets by $139,358.

Management has prepared a cash flow forecast that shows cash losses are expected to continue for a period beyond 12 months from the date these financial statements have been approved for issue by the directors. The forecast prepared by management contains a number of assumptions which are uncertain, however these are based on the best available information available to management at date of preparation. Some of these assumptions include, timing and quantum of forecasted revenue.

The directors have received written undertakings from the providers of existing debt funding to the company, subject to certain conditions, that they will not seek repayment of those advances before 30 June 2025, even if the Group was unable to meet its financial obligations as and when they fell due. Further, the directors have received a written undertaking from one of those providers of debt funding, that they will provide such funding as required to enable the Group to meet its financial obligations as and when they fell due for at least a period of 12 months from the signing of the 30 June 2022 Financial Statements.

The Group's ability to continue as a going concern is dependent on the continued financial support of its present providers of debt funding and the ability of the party providing the undertaking of additional financial support to meet any cash requirements as and when required.

The directors have considered the matters above and believe it is appropriate that these financial statements to be prepared on a going concern basis.

The above matters indicate that material uncertainty exists relating to events or conditions that may cast significant doubt on the Groups ability to continue as a going concern. If the Group was not a going concern, it may be unable in the ordinary course of business to realise its assets and discharge its liabilities at values currently presented in the financial statements. These financial statements do not include any adjustment relating to the recoverability and classification of recorded assets amounts, nor to the amounts and classifications that may be necessary should the Group be unable to continue as a going concern.

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**(5) Functional and Presentation currency**

The Group's financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

**(6) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the Group, using exchange rates prevailing at the dates of the transactions (i.e. the spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the reported profit or loss.

Non-monetary items measured at historical cost are not re-translated at each period-end, instead they are only translated once using the exchange rate at the transaction date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the period-end fair value was determined.

The net balance of foreign exchange gains and losses that relate to monetary items (such as borrowings, cash and cash equivalents) are presented in the Statement of Comprehensive Income within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in fair value movements disclosed within other comprehensive income.

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to NZD at the foreign exchange rate ruling on the reporting date (i.e. balance date). Foreign exchange differences arising on translation are recognised in the profit or loss.

**(7) Government grants**

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the cost they are compensating.

**(8) Trade and other receivables**

Trade debtors are amounts due from customers for goods sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors and other receivables are measured initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for any expected credit loss.

An allowance for expected credit loss is established where there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivable.

**(9) Trade creditors and other payables**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade creditors and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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**(10) Inventories**

Inventory is valued depending on the specific purpose of that inventory class.

Cost incurred for inventory held for research and development expenses are expensed when incurred.

Plants under cultivation are valued based on expected yield and stage of growth less an estimation of plant failure. Third party inventory is valued at the lower of cost less and net realisable value.

**(11) Property, plant and equipment**

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses.

**Additions and subsequent costs**

Subsequent costs and the cost replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to profit or loss in the period in which the expense is incurred.

**Disposals**

When an item of property, plant or equipment is disposed of, the gain or loss recognised in the profit or loss is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

**Property Under Construction**

The Company has been developing and building new facilities in Christchurch New Zealand. This has been ongoing since the Company's inception. Accounting policy is to record fixed assets purchases in the Construction account. Each half year an assessment is made as to whether items are complete and productive. In which case the assets are transferred to the correct classification and depreciation commences.

**Depreciation**

Depreciation is charged on a diminishing value (DL) basis on all property, plant and equipment over the estimated useful life of the asset. Depreciation is charged to profit or loss and disclosed within operating expenses. The following depreciation rates have been applied at each class of property, plant and equipment:

| | |
|---|---|
| Property Improvements | 10% |
| Plant & Equipment | 10-40% |
| Office Equipment | 20% |
| Furniture & Fittings | 15% |

The residual value and useful life of property, plant and equipment is reassessed annually. An assets carrying amount is written down immediately to its revocable amount if the assets carrying amount is greater than its estimated recoverable amount.

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**(12) Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to is recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used.

The Group bases its impairment calculations on the most recent budget and forecast calculations, which are prepared separately for each of the Group CGUs to which the individual assets are allocated. These budgets and forecasts calculations generally cover a period of up to five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the functions of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reverse only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation.

**(13) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, other financial assets, trade creditors and other payables, borrowings, and other financial liabilities.

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

a) Amortised costs
b) Fair value through Other Comprehensive Income(FVOCI) - Debt investments
c) Fair value through Other Comprehensive Income(FVOCI) - Equity investments
d) Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

**Financial assets at amortised costs**

Unless designated at FVPL, financial assets are measured at amortised costs if:
- it is held within a business model with an objective to hold the assets to collect contractual cash flow; and
- its contractual Cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly trade and other receivables including amount due from related parties, cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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**(14) Right of use assets and corresponding liabilities**

**Right-of-use assets**

A right -of-use asset is recognised at the commencement date of the lease. The right-to-use asset is measured at cost, which comprises the initial amount of the lease, adjusted for, as applicable, any lease payments made at or before the commencement date of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying assets, and restoring the site or asset.

**Lease Liabilities**

A lease liability is recognised at the commencement date of the lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of fixed payments less anylease incentive receivable, variable lease payments that depend on an index or a rate, amount expected to be paid under residual value guarantees, exercise price of a purchase option, when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payment that do not depend on an index or a rate are expensed in the period in which they occurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amount are remeasured if there is a change in the following: future lease payment arising from a change in the index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to corresponding right-to-use asset or to the profit and loss if the carrying amount of the right-to-use assets is fully written down.

**(15) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and tax.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation is satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The following specific recognition criteria must be met before revenue is recognised:

**Sale of goods and consultancy services**

Revenue from sale of goods is recognised when the Group has met its performance obligations to the customer. Performance obligation is generally considered to be met when the buyer has taken undisputed delivery of the goods.

Pain Clinic consultancy services are recognised at time of consultation.

**(16) Finance costs**

Finance costs recorded in the Statement of Comprehensive Income comprise the interest expenses charged on borrowings.

**(17) Income tax**

The income tax expense recognised in profit or loss comprises the sum of deferred tax movements and current tax not recognised in other comprehensive income or directly in equity.

**Current income taxes**

Current tax is the amount of income tax payable based on the taxable surplus for the current period, plus any adjustment to income tax payable in respect of prior periods. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

### Deferred tax

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses (if any). Temporary differences are differences between the carrying amount of asset and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable surpluses.

Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects the tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available in future periods, against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of income tax in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

### (18) Goods and Services Tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

### (19) Share capital

Share capital represents the consideration received for shares that have been issued. All transaction costs associated with the issuing of shares are recognised as a reduction in equity, net of any related income tax benefits.

### Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. The shares have no par value.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### (20) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aether Pacific Pharmaceuticals Limited (parent entity) at 30th June 2022 and the results of all subsidiaries for the period then ended. Aether Pacific Pharmaceuticals Limited and its subsidiaries together are referred to in these financial statement as the Group.

Subsidiaries are those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with entity and has ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are pre-consolidated from the date that control ceases.

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**(21) Patent Portfolio**

Patents arise on the acquisition of a business or developed internally. The patent portfolio is measured at cost less accumulated amortisation based on the economic useful life of the patent and having regard to its expiry date. Patent valuation is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated amortisation and impairment losses. Impairment losses are taken to profit and loss and can be subsequently reversed.

**(22) Employee Benefits and termination Benefits**

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employee render the related service are recognised in respect of employees' service to the end the reporting period and are measured at amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payable.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the follow dates; (a) when the group can no longer withdraw the offer of those benefits, and (b) when the Group recognises costs for a restructuring that involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**(23) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classifications. An asset is classified as current when: it is expected to be realised or intended to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at leased 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is expected to be settled in the Group's normal operating cycle; it is held primarily for the purposes of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non- current.

**(24) Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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.

**(25) Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest In the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

**(25) Business contributions continued**

If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

**(26) Intangible Assets**

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Subsequent costs are added to the carrying amount of an intangible assets when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit and loss as an expense when incurred. Amortisation is charged to the profit and loss.

**(27) Biological Assets**

The Company defines biological assets as cannabis plants up to the point of harvest. Biological assets are measured at the lower of cost and net realisable value at the end of the reporting period.

## Changes to accounting policies and disclosures

**New NZ IFRS standards and interpretations issued but not yet adopted**

A number of new standards and interpretations have been issued but are not yet effective for the current period-end. The reported results and financial position of the Group is not expected to change on adoption of these pronouncements as they do not result in any changes to the Group's existing accounting policies.

**Significant accounting judgements, estimates and assumptions**

The preparation of 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. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

**Judgements**

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the periods in which the estimate is revised and in future periods affected.

**Leases - estimating the incremental borrowing rate**

Where accounting policies required the choice of a discount rate (eg when valuing the lease liability at inception (accounting policy (i)), and where permitted by the relevant accounting standard), this rate has been based on the incremental borrowing rate as determined by management. In determining this rate management have looked at current borrowing rates both internal and externally, the trading history of the Group its risk profile and discussions with banking partiers. This is a significant accounting estimate that materially affects the value of assets and liabilities.

**Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arms length, or similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investment that will enhance the performance of the asset of the CGU being tested. The recoverable amount is sensitive to the discount rate used for DCF model as well as the expected future cash- inflows and the growth rate used for extrapolation purposes. These estimated are most relevant to intangibles recognised by the Group.

## Changes to accounting policies and disclosures (continued)

**Estimation of useful economic lives of non-financial assets**

Periodically management assesses the economic useful lives of non-financial assets to determine the applicability of current depreciation rates and whether a change is warranted. Changes will be determined based on age, technical advances and other relevant factors at the time.

**Acquisition of Subsidiary and goodwill**

During the period under review the Company acquired a subsidiary, Hardie Health Limited. The policy for acquisitions are to determine what is being acquired. If a business is being acquired and this results in the purchase price exceeding the fair value of assets acquired this is treated as Goodwill. In the case when the Company acquires assets (as apposed to a business) and there is an excess purchase price over the fair value of assets acquired then the this amount is written in the year of acquisition.

**1.Revenue**

| | Group | |
|---|---|---|
| | 15 months 30-Jun-22 $ | Year to 31-Mar-21 $ |
| Provision of Services | | |
| Pain Clinic | 18,384 | - |
| Total | 18,384 | - |

**2. Other income**

| | Group | |
|---|---|---|
| | 15 months 30-Jun-22 $ | Year to 31-Mar-21 $ |
| R&D Grant | 64,600 | - |
| Wages subsidy received | - | 11,732 |
| | 64,600 | 11,732 |

**3. Significant operating expenses**

| | | Group | |
|---|---|---|---|
| | | 15 months 30-Jun-22 $ | Year to 31-Mar-21 $ |
| Depreciation and amoritization | 9, 10 & 11 | 488,271 | 205,822 |
| Employee benefits | | 931,976 | 167,987 |
| Directors fees | 25 | 450,829 | 236,165 |
| Consultancy | | 363,314 | 168,943 |
| Fines (FMA) | 14 | 250,000 | - |
| Legal | | 223,304 | 135,922 |

**4. Net financing costs**

| | Group | |
|---|---|---|
| | 15 months 30-Jun-22 $ | Year to 31-Mar-21 $ |
| Interest Leases | 94,511 | 47,977 |
| Interest Loans | 7,134 | 1,884 |
| Net finance expense | 101,645 | 49,861 |

CROWE NEW ZEALAND

## Aether Pacific Pharmaceuticals Limited and Controlled Entity
## Notes to the consolidated financial statements (continued) For the 15-month period ended 30 June 2022

| **5.Income Tax** | Group | |
|---|---|---|
| | 15 months<br>30-Jun-22<br>$ | Year to<br>31-Mar-21<br>$ |
| Reconciliation between tax expense and the prima facie tax on the Group's accounting for income tax is as follows: | | |
| Accounting (loss) before income tax | (7,789,020) | (1,115,922) |
| | | |
| Tax at 28% | (2,180,925) | (312,458) |
| Add / (less) tax effect of: | | |
| Non-deductible expenditure | 1,087,238 | 11,942 |
| Deferred tax not recognised | 1,093,687 | 300,516 |
| | - | - |
| | | |
| Tax expense at 28% | (1,093,687) | (300,516) |
| Tax effect of losses not brought to account | 1,093,687 | 300,516 |
| Total income tax benefit | - | - |
| Other deferred assets and liabilities not recognised | | |
| Leases | 572,465 | 394,986 |
| RTU Assets | (556,398) | (389,218) |
| Holiday pay | 13,198 | 2,754 |
| Total income tax benefit | 29,265 | 8,522 |

The total tax losses not brought to account is estimated at $5,356,787 (2021 $1,525,842).

**The benefit for tax losses will only be obtained if:**

(a)the Group derives assessable income of a nature and an amount sufficient to enable the benefit from the deduction for the losses to be realised

(b)the Group continues to comply with the conditions for deductibility imposed by law; and

(c)no changes in tax legislation adversely affect the ability of the Group to realise these benefits.

CROWE
NEW ZEALAND

# Aether Pacific Pharmaceuticals Limited and Controlled Entity
# Notes to the consolidated financial statements (continued)
# For the 15-month period ended 30 June 2022

**6. Cash and Term Deposits**

Cash and cash equivalents included in the Consolidated Statement of Cash Flows comprise the following Consolidated Statement of Financial Position amounts:

| | Group | |
|---|---|---|
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Cash at bank (ANZ Group Banking Limited) | 125,946 | 769,824 |
| Cash at bank (ANZ Group Banking Limited Number 2 Account) | 12,419 | - |
| | 138,366 | 769,824 |

Refer to Note 17 Financial Risk Management for risk exposure analysis for Cash and cash equivalents

| **7. Trade and other receivables** | Group | |
|---|---|---|
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Current | | |
| GST | 94,112 | 104,356 |
| Deposits for Third Party Inventory | 307,757 | - |
| Prepayments | 40,012 | 62,548 |
| Other amounts receivable | 233 | 2,232 |
| | 442,114 | 169,136 |

| **8. Inventory (current assets)** | Group | |
|---|---|---|
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Finished goods at cost less provision for impairment | 122,032 | 8,453 |
| Goods in transit at cost | 30,219 | - |
| Work in progress at cost | 30,000 | - |
| | 182,251 | 8,453 |

| **9. Property Plant and Equipment** | Group | |
|---|---|---|
| | 15 months | Year to |
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Property under construction cost | | |
| Balance at beginning of period | - | - |
| Additions/Disposals | 1,334,075 | - |
| Closing Balance | 1,334,075 | - |
| Property Improvements - Cost | | |
| Balance at beginning of period | 988,033 | - |
| Additions/Disposals | 653,042 | 988,033 |
| Closing Balance | 1,641,075 | 988,033 |
| | | |
| Plant and equipment - cost | | |
| Balance at the beginning of period | 499,963 | - |
| Additions/Disposals | 1,727,132 | 499,963 |
| Closing Balance | 2,227,095 | 499,963 |

CROWE NEW ZEALAND

## Aether Pacific Pharmaceuticals Limited and Controlled Entity
## Notes to the consolidated financial statements (continued)
## For the 15-month period ended 30 June 2022

| **9. Property, plant and equipment (Continued)** | Group | |
|---|---|---|
| | 15 months | Year to |
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| **Furniture and fittings - cost** | | |
| Balance at the beginning of period | 7,504 | - |
| Additions/Disposals | 9,570 | 7,504 |
| **Closing Balance** | **17,074** | **7,504** |
| | | |
| **Office equipment - cost** | | |
| Balance at beginning of period | 7,402 | 2,117 |
| Additions/Disposals | 49,894 | 5,285 |
| **Closing Balance** | **57,296** | **7,402** |
| | | |
| **Closing balances - cost** | **5,276,615** | **1,502,902** |
| | | |
| **Property improvements - accumulated depreciation** | | |
| Balance at the beginning of period | 43,693 | - |
| Depreciation | 119,818 | 43,693 |
| **Closing Balance** | **163,511** | **43,693** |
| | | |
| **Plant and equipment - accumulated depreciation** | | |
| Balance at the beginning of period | 56,693 | - |
| Depreciation | 130,988 | 56,693 |
| **Closing Balance** | **187,681** | **56,693** |
| | | |
| **Furniture and fittings - accumulated depreciation** | | |
| Balance at the beginning of period | 710 | - |
| Depreciation | 1,551 | 710 |
| **Closing Balance** | **2,261** | **710** |
| | | |
| **Office equipment - accumulated depreciation** | | |
| Balance at the beginning of period | 2,269 | 266 |
| Depreciation | 12,125 | 2,003 |
| **Closing Balance** | **14,394** | **2,269** |
| | | |
| **Closing balance - accumulated depreciation** | **367,847** | **103,365** |
| | | |
| **Closing book value** | | |
| Property under construction | 1,334,075 | - |
| Property improvements | 1,477,564 | 944,340 |
| Plant and equipment | 2,039,414 | 443,270 |
| Furniture and fittings | 14,814 | 6,794 |
| Office equipment | 42,902 | 5,133 |
| **Closing property, plant & equipment** | **4,908,769** | **1,399,537** |

CROWE NEW ZEALAND

# Aether Pacific Pharmaceuticals Limited and Controlled Entity
## Notes to the consolidated financial statements (continued)
## For the 15-month period ended 30 June 2022

| **10. Non-current assets - intangibles** | Group | |
|---|---|---|
| | 15 months | Year to |
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| **At cost** | | |
| Balance at the beginning of period | 14,030 | 14,030 |
| Additions/Disposals | 8,310 | - |
| **Closing balance** | **22,340** | **14,030** |
| | | |
| **Accumulated amortization** | | |
| Balance at the beginning of period | 10,597 | 7,164 |
| Amortization | 1,931 | 3,433 |
| **Closing balance** | **12,528** | **10,597** |
| | | |
| **Closing book value** | **9,812** | **3,433** |

## 11. Right of use assets

| | Group | |
|---|---|---|
| | 15 months | Year to |
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| **Land and buildings** | | |
| Balance at the beginning of period | 1,489,355 | - |
| Additions/Disposals | 815,908 | 1,489,355 |
| **Closing Balance** | **2,305,263** | **1,489,355** |
| | | |
| **Motor vehicle** | | |
| Balance at beginning of period | - | - |
| Additions/Disposals | 72,546 | - |
| **Closing Balance** | **72,546** | **-** |
| | | |
| **Accumulated depreciation** | | |
| Land and buildings | | |
| Balance at the beginning of period | 99,291 | - |
| Depreciation | 218,835 | 99,291 |
| **Closing Balance** | **318,126** | **99,291** |
| | | |
| **Motor vehicles** | | |
| Balance at the beginning of period | - | - |
| Depreciation | 3,023 | - |
| **Closing Balance** | **3,023** | **-** |
| | | |
| **Closing book value** | **2,056,660** | **1,390,064** |
| | | |
| **Lease Liability** | | |
| Current Liability | 252,163 | 123,053 |
| Non Current Liability | 1,858,509 | 1,287,612 |
| **Closing Balance** | **2,110,672** | **1,410,665** |

During the period the Group signed three new premises leases with terms of 3 years, 4 years and 10 years. The Group also entered into a new vehicle lease with a 36 month term. Apart from the above leases the Company has no other leases and no short term leases.

**Lease expenses and cashflow**

| | | |
|---|---|---|
| Interest expense on lease liability | 94,511 | 47,977 |
| Depreciation expense on right of use | 221,858 | 99,291 |
| Cash outflow in relation to leases | 268,536 | 126,667 |

**12. .Investment in subsidiary**

The Group acquired 100% of Hardie Health Limited (incorporated in New Zealand)on 1st May 2021 and issued shares in the Company (share swap). The purpose being to expand the Company product portfolio to cover other nutraceutical products in additional to cannabis products.

The transaction involved:

| Assets acquired at valuation | Cost | Impairment | Written off | Carry value |
|---|---|---|---|---|
| Patent Portfolio | 2,018,462 | 2,018,462 | | - |
| Excess consideration of fair value | 1,291,525 | | 1,291,525 | - |
| Total purchase consideration | 3,309,987 | 2,018,462 | 1,291,525 | - |

The shares were issued in two tranches. The first being 4,004,156 shares on 1st May 2021 and the second amounting to 651,839 shares issued on 7th September 2021. In both cases an independent valuer valued the shares at 71.091 cents per share. Total shares issue were 4,655,995.

A valuation was performed by an independent firm Sapere Research Group Limited. The valuer valued the shares in Aether Pacific Pharmaceuticals Limited at the acquisition date (1st May 2021and 7th September 2021)at 71.091 cents per share. Additionally a valuation by the same company, Sapere was undertaken and determined the fair value of assets acquired amounted to $3,309,987, being patent portfolio and excess value.

**The key assumptions in valuing the acquisition were:**
1.Both companies are early stage ventures and forecasts supplied by management were replied upon in forming the valuation
2. Hardie Health Limited financial position at valuation date (1st May 2021) consisted only of the intangible asset noted above, being the patent portfolio.

**Impairment**
The Directors resolved to write off excess purchase value, amounting to $1,291,525 in the profit and loss account as at 30th June 2022. The directors took the view that this amount represented the purchase of assets (patent portfolio) rather than a business. However the director are of the view that the acquisition will result in a business being developed in the nutraceuticals.

The Directors further considered the value of patents acquired and decided that the patent portfolio being impaired 100% as at 30th June 2022 amounting to $2,018,462. The directors took the view that the business has not been developed and future income streams are not guaranteed at this time. However the directors are of the view that as the business is developed the value of patents will be reviewed and re-restated as appropriate.

**13. Patents**

| | Group | |
|---|---|---|
| | 15 months<br>30-Jun-22<br>$ | Year to<br>31-Mar-21<br>$ |
| **At cost** | | |
| Opening balance | - | - |
| Additions | 50,370 | - |
| **Closing balance** | **50,370** | - |
| | | |
| **At valuation** | | |
| Opening balance | - | - |
| Additions | 2,018,462 | - |
| Impairment | (2,018,462) | - |
| **Closing balance** | **-** | - |
| | | |
| **Closing book value** | **50,370** | - |

CROWE NEW ZEALAND

### 14. Capital and reserves

**Reconciliation of movement in capital and reserves**

| | | Quantity of shares | Issued capital | Crowd funding | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| **30 June 2022** | | | | | | |
| Opening Balance | | 39,495,759 | 1,926,937 | 1,919,554 | (1,865,183) | 1,981,308 |
| Total comprehensive income/(loss) net of tax | | - | - | - | (7,789,020) | (7,789,020) |
| Return of capital | | (462,951) | - | (462,951) | | (462,951) |
| Issued capital (gross) | | 10,104,899 | 8,329,925 | - | - | 8,329,925 |
| Issued capital (costs) | | | (341,507) | | | (341,507) |
| Share swap | 12 | 4,655,995 | 3,309,987 | - | - | 3,309,987 |
| **Closing Balance** | | **53,793,702** | **13,225,342** | **1,456,603** | **(9,654,203)** | **5,027,743** |

| | Quantity of shares | Issued capital | Crowd funding | Accumulated losses | Reserves | Total |
|---|---|---|---|---|---|---|
| **31 March 2021** | | | | | | |
| Opening Balance | 651,000 | 535,000 | - | (749,259) | 26,177 | (188,082) |
| Total comprehensive income/(loss) net of tax | | | - | (1,115,924) | - | (1,115,924) |
| Issued capital (gross) | 38,844,759 | 1,647,997 | 1,919,554 | - | - | 3,567,551 |
| Issued capital (costs) | | (256,060) | | | | (256,060) |
| Converted to Ordinary shares | - | - | - | - | (26,177) | (26,177) |
| **Closing Balance** | **39,495,759** | **1,926,937** | **1,919,554** | **(1,865,183)** | **-** | **1,981,308** |

During the 15 months to 30th June 2022, 462,951 shares were bought back from shareholders who participated in a Crowd Funding exercise pursuant to an enforceable undertaking by the Financial Markets Authority (FMA). The undertaking included an offer to refund the investment of any Aether Pacific Pharmaceuticals Limited shareholder who joined through the company's crowdfunding program in 2020. Of those shareholders, 136 opted for a refund at $1.00 per share entry price, and a total of $462,951 has now been returned to them by the Company.

In addition, Aether Pacific Pharmaceuticals Limited has published a correction on misstatements that were made during the crowdfunding program and the Company has paid a fine the FMA $250,000 in lieu of a pecuniary penalty. Aether Pacific Pharmaceuticals Limited has adopted an Approved Disclosure Policy for governance around future statements made to investors.

### 15. Loans and Borrowings

| | Group | |
|---|---|---|
| | 30-Jun-22 | 31-Mar-21 |
| Current | $ | $ |
| Loans Financial Synergy | 11,653 | 46,149 |
| | 11,653 | 46,149 |

### 16. Trade and other payables

| | Group | |
|---|---|---|
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Trade payables | 591,139 | 287,829 |
| Employee entitlements | 47,134 | 9,386 |
| Interest on convertible notes (refer note 14) | - | 4,660 |
| | 638,273 | 302,325 |

CROWE NEW ZEALAND

## 17.Financial risk management

### i. Overview

The financial risk arising from the Group's operations comprise market, liquidity and credit risk. These risks arise in the normal course of business, and the Group manages its exposure to them in accordance with the Group's portfolio risk management strategy.

**The Group holds the following financial instruments:**

| | Group | |
|---|---|---|
| | 15 months<br>30-Jun-22<br>$ | Year to<br>31-Mar-21<br>$ |
| **Financial assets** | | |
| *Amortised cost* | | |
| Cash and cash equivalents (ANZ Banking Group Ltd) | 138,366 | 769,824 |
| Trade and other receivables | 442,114 | 169,136 |
| | 580,480 | 938,960 |
| **Financial liabilities** | | |
| *Amortised cost* | | |
| Trade and other payables | 591,139 | 302,325 |
| Lease liabilities | 2,110,672 | 1,410,665 |
| | **2,701,811** | **1,712,990** |

### ii. Financial risk management objectives

The overall financial Risk Management Strategy focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the financial performance and protect financial security.

**iii. Credit risk**

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

| | Group | |
|---|---|---|
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Cash and cash equivalents (ANZ Banking Group Ltd) | 138,366 | 769,824 |
| | **138,366** | **769,824** |

**iv. Liquidity risk**

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for Liquidity Risk Management rests with the Board of Directors. The Board has determined an appropriate Liquidity Risk Management Framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintain adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure and liabilities.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value as the impact of the discounting is not significant.

| **Contractual maturities of financial liabilities** | Less than 6 months ($) | 6-12 months ($) | More than 12 months ($) | Total ($) | Carrying amount ($) |
|---|---|---|---|---|---|
| Group - at 30th June 2022 | | | | | |
| Trade payables | 591,139 | - | - | 591,139 | 591,139 |
| Lease liabilities | 124,560 | 127,602 | 1,858,509 | 2,110,673 | 2,110,673 |
| **Total** | **715,699** | **127,602** | **1,858,509** | **2,701,812** | **2,701,812** |
| | | | | | |
| **Group - at 31st March 2021** | | | | | |
| Trade payables | 302,325 | - | - | 302,325 | 302,325 |
| Lease liabilities | 60,759 | 62,294 | 1,287,612 | 1,410,665 | 1,410,665 |
| **Total** | **363,084** | **62,294** | **1,287,612** | **1,712,990** | **1,712,990** |

CROWE NEW ZEALAND

**v. Market risk (continued)**

Market risk is the risk that changes in market prices, such as foreign exchange rates may affect the Group's income or the value of its holdings of financial instruments. The objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

**vi. Foreign exchange risk**

The Group is exposed to currency risk on financial assets and liabilities that are denominated in a currency other than the respective currencies of the Group's functional currency. Other currencies are USD, AUD and EUR.

The Group does not hedge as the foreign currency risk is considered immaterial.

**vii. Interest rate risk**

The Group has no significant exposure to interest rate risk, other than lower interest rates, reducing the investment returns in the Group On Call bank account.

The Group has right to use lease liabilities which attract an imputed interest rate which is fixed in the short term and does not represent an exposure that requires risk management.

At reporting date , the interest rate profile of the Group's interest - bearing financial instruments are:

| | Group | |
|---|---|---|
| | 15 months | Year to |
| **Variable Rate Instruments** | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Cash and deposits | 138,366 | 769,824 |
| Borrowings | - | - |
| | 138,366 | 769,824 |
| The Group held cash balances as follows: | | |
| Cash at bank and on hand | 138,366 | 769,824 |
| Cash on deposit | - | - |
| | 138,366 | 769,824 |

| | Cash Available for use | Total |
|---|---|---|
| **30th June 2022** | | |
| Cash and cash equivalents | $138,366 | $138,366 |
| **31st March 2021** | | |
| Cash and cash equivalents | $769,824 | $769,824 |

Up to the end of the reporting period, the Group did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors since assets are a short-term nature. Management considers the potential impact on the profit and loss of a defined interest rate shift that is reasonably probable at the end of the reporting period to be immaterial.

**Cash Flow sensitivity Analysis for Variable Rate instruments**

The Board's assessment of a reasonable possible change in interest rates relating to the Groups Cash and Cash equivalents and borrowings is disclosed in the table below.

| | Number of basis points |
|---|---|
| Cash and cash equivalents | 50 |
| Borrowings | 100 |

Management considers the potential impact on profit and loss of a reasonable change in interest rates at the end of the reporting period to be immaterial based on the current amounts of cash and cash equivalents and applicable interest rates.

CROWE NEW ZEALAND

**18. Capital management**

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

The capital structure of the group consists of cash and equity, comprising issued capital and retained earnings.

The Board reviews the capital structure on a regular basis. The group is not subject to externally imposed capital requirements. The Groups overall strategy remains unchanged from the prior period.

**19. Reconciliation of profit/(loss) for the period with the net cash from operating activities**

| | | Group | |
|---|---|---|---|
| | | 15 months | Year to |
| | | 30-Jun-22 | 31-Mar-21 |
| | | $ | $ |
| Loss for the period | | (7,789,020) | (1,115,922) |
| Adjustments for: | | | |
| - Depreciation and amortization | | 488,271 | 205,822 |
| - Legal | | - | (78,690) |
| Excess purchase consideration over fair value | 12 | 1,291,525 | - |
| Impairment of Patents | 12 | 2,018,462 | - |
| | | 3,798,258 | 127,132 |
| Changes in working capital | | | |
| Increase/(Decrease) in Sundry Creditors | | 303,517 | 194,108 |
| Increase/(Decrease) in Employee Benefits | | 37,298 | - |
| Increase/(Decrease) in Interest in Advance | | 1,999 | (2,232) |
| Decrease/(Increase) in Prepayments | | (285,221) | (62,548) |
| Decrease/(Increase) in Inventory | | (173,798) | (8,453) |
| Increase/(Decrease) in GST Payable | | 10,037 | (96,742) |
| | | (106,169) | 24,133 |
| **Net Cash from Operating Activities** | | **(4,096,930)** | **(964,657)** |

**20. Changes in liabilities arising from financing activities**

| | 31-Mar-21 | Cash Flow | New Leases | Interest | Other | 30-Jun-22 |
|---|---|---|---|---|---|---|
| Current lease liabilities | $123,053 | $(277,684) | 252,163 | 94,940 | $59,691 | $252,163 |
| Current Advances | $46,149 | $(46,149) | | | $11,633 | $11,633 |
| Interest payable on Convertible Notes | $4,660 | $(4,660) | | | | $- |
| Non Current lease liabilities | $1,287,612 | | 602,632 | | $(31,735) | $1,858,509 |
| **Total liabilities from financing activities** | **$1,461,474** | **$(328,493)** | **$854,795** | **$94,940** | **$39,589** | **$2,122,305** |

**21. Contingent liabilities**

The Board is not aware of any circumstances or information, which leads them to believe there are any other material contingent liabilities outstanding at 30th June 2022.

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## 22. Subsequent events

**Shareholder advances**

12 July 2022: $AUD 3,000,000 upon terms contained within a secured convertible loan agreement and share option with an existing shareholder containing a two year term and 7% interest and allowing for an AUD $1.35 per share or 90% of listed price if the Company is quoted on the Australian Stock Exchange. The share option allows for a further 1 in 10 issue of ordinary shares should the option be taken up.

21 March 2023: $AUD 300,000 as an extension and on the same terms as those of 12 July 2022 above except for the loan for 12 months and interest rate is 5%.

31 March 2023: $100,000 upon terms with an existing shareholder on 6 month term and 20% interest and is unsecured.

6-12 April 2023: $31,500 upon terms with an existing shareholder on demand and 5% interest and is unsecured.

27 April 2023: $100,000 upon terms contained within a secured convertible loan agreement with an existing shareholder containing a one year term and 5% interest and allowing for an AUD $0.80 per share or 90% of listed price if the Company is quoted on the Australian Stock Exchange.

Peter Win provided an unsecured loan totalling $23,000 in April 2023. It has yet to be repaid.

Jason Whitelaw provided a short term loan of 5 days in February 2023 totalling $190,000.

4 July - 7 August 2023: Aldo Miccio provided an unsecured loan totalling $270,000.

4 July - 7 August 2023: Peter Win provided an unsecured loan totalling $270,000.

**Share subscriptions**

On various dates a further sum total of $811,528.49 by way of various share subscriptions for ordinary shares by various shareholders.

9 August 2023: An agreement with Meridian Asset Management Limited was entered into, with $1,500,000 fully paid ordinary shares to be issued at a value of $1.04 per share.

On various dates a further sum total of $187,650.00 has been raised by various shareholders by way of the Company's capital raise on stock exchange platform Catalist.

**Debt Funding**

From 31 March 2023 to 30 September 2023 the company raised $477,000 of total funds from Meridian Asset Management Limited.

On 9 June 2023 the Company entered into a $100,000 convertible note agreement with Beyond Capital Limited. As at signing this remains on the Balance Sheet as debt.

On 23rd September the Company entered into an agreement for the sale and lease back of a dryer and extraction machine with Meridian Asset management Limited. The value of consideration was $1,000,000 made up of $300,000 cash received between 20 September and 26 October 2023 and $700,000 of shares.

Meridian Asset Management Limited has provided additional debt funding between November 2023 and January 2024 of $256,000.

**23. Renumeration of auditors**

During the period the following fees were paid or payable for services provided by the Auditors of the Group.

| | Group | |
|---|---|---|
| | 15 months | Year to |
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Audit and Other Assurance Services | | |
| Crowe New Zealand Partnership | 69,524 | 31,000 |

**24. Fair values of financial assets and liabilities**

At 30th June 2022 and 31st March 2021, the carrying values of financial assets and liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and labilities.

The fair value of non-current assets and non-current labilities are not materially different from their carrying amounts.

**25. Related Party Disclosures**

The ultimate legal parent company of the Group is Aether Pacific Pharmaceuticals Limited, which owns 100% of the issued capital in Hardie Health Limited. Both companies are incorporated in New Zealand and have a reporting date of 30 June.

| **Key Management Personnel** | Group | |
|---|---|---|
| | 15 months | Year to |
| | 30-Jun-22 | 31-Mar-21 |
| | $ | $ |
| Short-term employee benefits | 624,997 | 310,179 |
| Directors Fees | 450,829 | 236,165 |
| | **1,075,826** | **546,344** |

**25. Related Party disclosures continued**

| **Related party** | **Relationship** |
|---|---|
| Cataldo Miccio (April Trust) | Founding shareholder & managing director |
| Kim Miccio (April Trust) | Wife of Cataldo Miccio |

| | | Group | |
|---|---|---|---|
| | | 15 months | Year to |
| **Transaction with related parties** | | 30-Jun-22 | 31-Mar-21 |
| | | $ | $ |
| Aldo Miccio (April Trust) | Managing Director/CEO fees | 143,333 | 72,001 |
| Aldo Miccio (April Trust) | Director Fees | 62,498 | 45,831 |
| Kim Miccio (April Trust) | Bookkeeping Fees | 9,100 | 21,417 |

There are no amounts outstanding at balance date

| | | | |
|---|---|---|---|
| Jason Whitelaw | Employee | 120,000 | - |

During the 15 months to 30th June 2022, Artmatic Limited a company controlled by Jason Whitelaw entered an Agreement with the Company to assist in raising capital for the Company. The Agreement called for a commission of 4% be paid to Artmatic. An amount of $120,000 was paid to Artmatic under this Agreement, which has been shown as a deduction against share capital received.

**26. Commitments**

The Company has a Lease Agreement in respect of premises in Christchurch, New Zealand and three other smaller premises which it leases for the Pain Clinic business. Refer to Note 17 for details of the lease liabilities.

Other than the above the company has no other commitments.

Aether Pacific Pharmaceuticals Limited

# Directory

As at 30 June 2022

| | |
|---|---|
| **Nature of Business** | Pharmaceutical Products |
| **Registered Office** | MMP Lawyers<br>L2, 241 Hardy Street,<br>PO Box 656<br>NELSON 7010 |
| **Directors** | Cataldo Miccio<br>Peter James Win<br>James Tracy Gough (Resigned 30 November 2023)<br>Loren Heaphy (Resigned 30 March 2023)<br>Jack Yin<br>Rocco Pienaar (Appointed 29 August 2023) |
| **Date of Incorporation** | 14 December 2018 |
| **Accountants** | Baker Tilly Staples Rodway<br>Level 2, Tavendale Centre,<br>329 Durham Street North,<br>PO Box 8039<br>CHRISTCHURCH 8440 |
| **Auditor** | Crowe New Zealand Audit Partnership<br>CHRISTCHURCH |
| **Bankers** | ANZ Banking Group Limited |
| **Company Number** | 7135337 |

**Crowe New Zealand Audit Partnership**
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Christchurch 8024
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Christchurch 8440 New Zealand
Main +64 3 365 7068
**www.crowe.nz**

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Aether Pacific Pharmaceuticals Limited**

## Opinion

We have audited the consolidated financial statements of Aether Pacific Pharmaceuticals Limited and its controlled entity (the Group) on pages 1 to 27, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 15 months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the 15 months then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in the company or its controlled entity.

## Material Uncertainty Related to Going Concern

We draw attention to the Statement of Significant Accounting Policies - Paragraph (4) Going Concern, in the financial statements, which indicates, for the 15 months to June 2022, the Group has incurred a net loss after tax of $7,789,020 and an operating net cash outflow of $4,096,931 and, as of that date, the Company's current liabilities exceeded its current assets by $139,358.

As stated in Paragraph (4), these events or conditions, along with other matters as set forth in Paragraph (4), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Emphasis of Matter: Revised and reissued consolidated financial statements**

We draw attention to Statement of Significant Accounting Policies, Paragraph 1 in the consolidated financial statements, which describes that the consolidated financial statements have been revised and reissued as a result of information made available after the date of the previously issued consolidated financial statements signed by the directors on 24 May 2023.

Consequently, this auditor's report supersedes our auditor's report dated 24 May 2023 on the previously issued consolidated financial statements for the year ended 30 June 2022 . Our opinion is not modified in respect of this matter.

**Other Information**

The Directors are responsible for the other information. The other information comprises the information on page 28, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Directors' Responsibilities for the Consolidated Financial Statements**

The Directors are responsible on behalf of the Directors for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs (NZ) 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 these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on Use**

This report is made solely to the Group's Shareholders, as a body. Our audit has been undertaken so that we might state to the Group's Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe

**Crowe New Zealand Audit Partnership**
CHARTERED ACCOUNTANTS

Dated at Christchurch this 29th day of February 2024

*The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*