InhaleRx Limited

ACN 611 845 820

Annual Report – 31 December 2023

InhaleRx Limited
Corporate directory
31 December 2023

Directors	Sean Williams Dr Andrew Saich James Barrie
Company secretary	James Barrie
Registered office	Level 16 414 Latrobe Street Melbourne VIC 3000
Principal place of business	Level 16 414 Latrobe Street Melbourne VIC 3000
Share register	Automic Legal Pty Ltd Level 5 126 Phillip Street, Sydney NSW 2000 Ph : 03 9415 5000
Auditor	RSM Australia F27 120 Collins Street Melbourne VIC 3000
Stock exchange listing	InhaleRx Limited shares are listed on the Australian Securities Exchange (ASX code: IRX)
Corporate Governance Statement	Refer to inhalerx.com.au

InhaleRx Limited
Chairman's letter
31 December 2023

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the Annual Report of InhaleRx Limited (‘**IRX’** or ‘**Company’**) for the financial year ended 31 December 2023.

During the 2023 financial year IRX continued to focus on developing its portfolio of unique inhaled drug-device medications to address unmet medical needs. In particular, important progress was made with respect to the Company’s development of inhaled drug-device medications for pain management (IRX211) and mental health (IRX611a).

IRX’s ultimate objective is to achieve a New Drug Approval (‘**NDA’**) for these indications as time efficiently and cost effectively as possible with the US Food & Drug Administration (‘**FDA’**) via the FDA 505(b)(2) pathway. This pathway allows an Investigational New Drug (‘**IND’**) to reference data available in the public domain which presents time and cost saving opportunities. There is also greater flexibility in the 505(b)(2) application process and the regulatory approval process is not as burdensome as the standard NDA pathway.

IRX’s novel drug device combinations target the treatment of Breakthrough Cancer Pain (‘**BTcP’**) (IRX211) and Panic Disorder (‘**PD’**)(IRX611a), with the objective of helping to improve the quality of life of BTcP and PD sufferers.

These medications are delivered via a pressurised metered dose inhaler (‘**pMDI’**) in a fixed dose, providing a convenient and effective mode of administration. Furthermore, inhaled administration provides the benefits of improved administrative efficiency and dose metering compared to smoking, vaping or the oral administration of cannabinoids.

The application of IRX’s drug-device combinations to the treatment of BTcP and PD potentially provides attractive market entry and related commercial opportunities. This is particularly the case given the tolerance, dependence and opioid-related adverse event risks evident in the use of rapid acting opioids for managing acute pain.

Many patients currently use cannabinoid based products in managing each of these conditions and there is an opportunity for IRX to introduce the first clinically proven and approved cannabinoid treatment for each condition – and importantly an effective and accessible alternative treatment which potentially has lower dependency and side effect risks. In addition, an NDA for these indications provides IRX with the opportunity of broadening the approval of its novel drug-device combinations for use in treating other acute pain and mental health conditions.

IRX211

According to the 11th revision of the International Classification of Diseases, chronic cancer pain is defined as pain caused by primary cancer itself, metastases or its treatment. BTcP is described as a temporary intensification of such pain that arises either spontaneously or in connection with a particular predictable or unpredictable trigger, even when the background pain is relatively stable and well-controlled.

The current regime for the treatment of BTcP relies largely on fast acting analgesics (mainly opioid based) which require careful monitoring and adherence to established guidelines to mitigate the significant risks of tolerance, dependence, and opioid-related adverse events.

IRX211 is a THC based synthetic cannabinoid derived drug (dronabinol) delivered via a pMDI in a fixed dose designed to provide rapid onset analgesia for patients suffering with acute episodic bursts of breakthrough pain. These are generally of short duration, typically lasting minutes to hours.

The Phase 1 trial (safety and efficacy in healthy volunteers) was completed for IRX211 during the year. The preliminary results appear to indicate that IRX211 has very promising efficiency and is well tolerated. The Clinical Study Report (‘**CSR’**) is expected to be available in May 2024.

IRX conducted a pre-IND meeting with the FDA in March 2023. Based on FDA feedback from this meeting and after careful consideration, IRX decided to pivot to BTcP (from Complex Regional Pain Syndrome (‘**CRPS’**)) as the primary indication of focus for the proposed Phase 2 trial of IRX211. CRPS, however, remains a viable supplementary pain indication for IRX211 and will be explored further once the BTcP indication pathway is more thoroughly investigated and developed.

The established path to registration for BTcP offers a significant commercial opportunity for IRX211 and it is expected that this change in targeted pain indication will lead to a material reduction in the overall amount of exploratory work, as well as, better mitigation of regulatory uncertainty. In addition, BTcP has a larger patient population leading to more attractive recruitment opportunities for the proposed clinical trials and related improved time and cost outcomes.

It is estimated that approximately half of the adult cancer population experiences BTcP at some point. This can vary based on disease progression, ranging from 39.9% in outpatient clinics to 80.5% in palliative care units[1].

The Phase 2 clinical trial protocol for IRX211 has been updated to reflect the BTcP indication, as has the IB. The Company anticipates being ready to submit to HREC in the next month and to commence dosing in the second half of the year, IRX has commenced preparations for raising additional capital to fund its planned Phase 2 clinical trial activities for IRX211 and expects to complete this process in the coming months.

IRX616a

Panic Disorder (**PD**) refers to the experience of recurrent and disabling panic attacks which last up to a few minutes and are accompanied by physical symptoms such as heart palpitations, shaking, shortness of breath, and dizziness. There are currently no effective treatments for PD with sufferers forced to rely on atypical antidepressants (SSRI), sedatives (benzodiazapines) and anti-convulsants (gabapentin).

The Phase 2 IB and clinical trial protocol were finalised and a submission was made to Bellberry as the nominated Human Research Ethics Committee ('**HREC'**) in November 2023 in order to obtain regulatory clarity on IRX's proposed clinical development pathway for IRX616a. The Company subsequently received HREC feedback on its submission which confirmed that additional pharmacokinetic and safety data will be required via a Phase 1 study before it can proceed with the proposed Phase 2 study. A Phase 1 study protocol has now been drafted and will be submitted to HREC shortly.

The Company has decided to prioritise the funding and commencement of the IRX211 clinical trial programme, but expects to commence the Phase 1 clinical trial for IRX611a before the end of 2024, subject to sufficient available capital.

A Pre-IND meeting with the FDA was held on 20 October 2022. The Company's recent focus has also been on the preparation of an IND submission for IRX616a, which it is anticipated will be lodged in the next month.

IRX holds an approved innovation patent and has lodged an Australian provisional patent application for the treatment of BTcP with the Australian Patent Office.

The financial loss for the consolidated entity after providing for income tax and non-controlling interests amounted to $1,443,271 up 16% compared to previous period (31 December 2022: $1,927,049). This loss largely reflects an increase in research and development ('**R&D'**) expenditure associated with the Company's clinical trial programmes of $1,448,185 (31 December 2022: $977,137). Revenue for the year was $1,204,046 and related to the Company's entitlement to a government R&D incentive compared to the previous period of $24,800 (which related to the sale of Medihale devices).

On behalf of the board I would like to acknowledge the hard work and dedication of the small IRX executive team and supporting consultants and contractors, including the team at InGenu CRO Pty Ltd, who have provided invaluable support and assistance through-out the year.

Finally, I would also like to thank our loyal shareholders for their continued support over the year. Your Board looks forward to an exciting and productive 2024 and to keeping everyone informed of developments as they occur.

Sean Williams
Chairman

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[1] Deandrea S, Corli O, Consonni D, Villani W, Greco MT, Apolone G. Prevalence of breakthrough cancer pain: a systematic review and a pooled analysis of published literature. J Pain Symptom Manage [Internet]. 2014 [cited 2023 Apr 11];47(1):57–76. Available from: https://pubmed.ncbi.nlm.nih.gov/23796584/

[2] https://cancercontrol.cancer.gov/ocs/statistics

3 Davis MP. Breakthrough Pain in Cancer Patients – Characteristics, Impact, and Assessment. US Oncology Hemat 7(1):12, 2011.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of InhaleRx Limited (referred to hereafter as 'IRX', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2023.

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

Sean Williams – Non-Executive Chairman
Dr Andrew Saich – Non-Executive Director
Dr John Crock – Non-Executive Director (resigned 1 March 2024)
James Barrie - Non-Executive Director (appointed 1 March 2024)

Principal activities
The principal activities of the consolidated entity during the period were focused on the development of registrable inhaled drug-device combinations. The consolidated entity's devices and drug formulations aim to bring fast, safe and effective relief to suffers of pain and anxiety related illnesses.

Our Business Model and Objectives
The consolidated entity's strategy is to develop registrable novel inhaled medicinal drug formulations for the treatment of illnesses for which there is currently no effective treatments.

The consolidated entity's objective is to deliver increases in shareholder value, by delivering against the key elements of the strategy and business model.

There is a clear orientation towards growing the existing businesses within the consolidated entity, however, a disciplined approach to evaluating other investment opportunities will be maintained.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,443,271 (31 December 2022: $1,927,049).

Refer to the Chairman's letter that comes directly before this Directors' Report.

Significant changes in the state of affairs
The company ceased marketing its prescription only drug inhaler during the year and is now solely focussed on the development of its registrable inhaled drug-device combinations.

Matters subsequent to the end of the financial year
On 27 March 2024, the company signed a loan agreement with a principal value of $500,000 with the following key terms:-

- $250,000 is payable at upon execution and balance is payable six months after the initial disbursement;
- the debt will carry an interest rate of 10% per annum, accruing from the date of disbursement or drawdown, to be capitalised, with repayment at completion of the loan term;
- the loan has a 2 year term from the initial disbursement, but may be repaid earlier at the company's election;
- at any point during the term of the loan, the lender shall have the option to convert any portion of the outstanding principal and accrued interest into ordinary shares of the company at a conversion price of $0.05 per share or the 30 day VWAP, whichever is the lower; and
- the lender will also be issued options to purchase ordinary shares of InhaleRx. The number of options issued will be equal to the number of ordinary shares into which the loan is convertible at the conversion price. The options will have an exercise price of $0.05 per ordinary share and will be exercisable for a period co-terminous with the loan term.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
Due to the nature of legalisation of Medical and Recreational Cannabis the company continues to monitor the fast-changing regulatory environment and is well poised to pursue new markets as the regulatory environments change. The consolidated entity's operations are not affected by other environmental regulation.

Information on directors

Name:	Sean Williams
Title:	Non-Executive Chairman
Qualifications:	Sean graduated from Swinburne University with a Bachelor's Degree in Business (accounting) and was admitted to the Institute of Chartered Accountants in Australia and New Zealand in 1993.
Experience and expertise:	Sean has over 30 years experience in senior executive and finance roles across the pharmaceutical, healthcare, investment management and supply chain sectors. Having commenced his career with an international accounting firm, Sean has held a number of senior roles including General Manager, Finance for Symbion Pharmacy (Australia's largest pharmaceutical wholesaler). He also headed up Symbion's market leading hospital pharmacy and dental divisions and was responsible for Independent Pharmacy Solutions (a short-line wholesale business). Sean has worked as an investment director in private equity and as a senior executive in private equity backed ventures. He has also led management buy-outs and been involved in founding start-up businesses within the supply chain sector. Most recently, Sean was CEO of a $500m investment management business specialising in Australian agricultural investments.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	200,000 fully paid ordinary shares
Interests in options:	4,000,000 options over ordinary shares

Name:	Dr John Crock
Title:	Non- Executive Director (resigned 1 March 2024)
Qualifications:	MBBS FRACS MD DA MAHSS
Experience and expertise:	Dr Crock is a highly experienced plastic surgeon with over 40 years of clinical experience. He has received multiple awards over the course of his career. He is the founder of Aussie Health Abroad, an international aid organisation that focuses on training surgeons in developing nations, but also interfaces with many other disciplines of medicine in the global community - particularly in the USA and Europe. Dr Crock has completed an MD thesis which has been published in international journals and has been presented at major scientific forums in the USA, UK and Australia.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A

Name:	Dr Andrew Saich
Title:	Non-Executive Director
Qualifications:	Andrew is a UK trained physician with a degree in physiology and a degree in medicine from the University of London, who completed his post-graduate Royal College of Physicians examinations and specialised in Emergency Medicine.
Experience and expertise:	Andrew joined the pharmaceutical industry over 20 years ago. He has worked in both large and small pharmaceutical companies and has extensive experience of international management, medicines commercialisation and pharmaceutical R&D. Andrew is currently Chief Medical Officer of Sapient Therapeutics, an early-stage UK pharmaceutical company and a co-founder of Diligenc. Capital, a cannabinoid prescription medicines investment group and Diligenc. Pathways, a consultancy comprising senior cannabinoid specialists from the ex-GW Pharmaceuticals team. In 2016 Andrew created and led the GW Pharmaceuticals International Medical organisation in preparation for the launch of Epidyolex (cannabidiol) for the treatment of rare and debilitating drug resistant epilepsies. GW Pharmaceuticals (acquired by Jazz Pharmaceuticals) was the world leader in the development of cannabinoid medicines and Andrew was a senior member of the international management team, the strategic launch team, the Clinical Development Committee and the Corporate Drug Safety team.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	Nil

Name:	James Barrie
Title:	Non-Executive Director (appointed 1 March 2024)
Qualifications:	B. Business, GAICD, Dipl InvRel (AIRA)
Experience and expertise:	James is a professional director and company secretary. He was appointed Company Secretary on 3 August 2023 and as a Non-Executive Director on 1 March 2024. His strength and expertise are driven by his extensive career and background across various industry sectors including various roles in pharmaceuticals, from start-ups to ASX 20. James provides the Board independent advice and expertise across various governance and corporate responsibility requirements required of an ASX-listed company. James' skills include corporate governance, share registry, employment plans, treasury, capital management, accounting, commercial analysis, mergers and acquisitions, strategy, stakeholder relations and business development. He is also the company secretary and/or a director of several other ASX, NSX or unlisted companies.
Other current directorships:	Boadicea Resources Limited (ASX: BOA), HITIQ Limited (ASX: HIQ) and Phoenician International Limited (NSX: PHI).
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	Nil

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

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

Company secretary
James Barrie, who was appointed Company Secretary on 3 August 2023, is a professional Director and Company Secretary and provides the Company with a range of commercially focussed professional services and knowledge, including governance, share registry and employee equity plans, stakeholder relations support and virtual shareholder meetings. Mr Barrie (B.Bus, DiplInvRel, CPA, GAICD) is currently a director and/or secretary of several ASX-listed, NSX-listed and unlisted companies.

The was previously held jointly by Nova Taylor and Elizabeth Spooner.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Sean Williams	12	12
Dr Andrew Saich	12	12
Dr John Crock	12	11

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The remuneration policy of IRX has been designed to align key management personnel (‘**KMP**’) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity’s financial results. The Board of Directors ('**the Board**') of IRX believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated entity, as well as creating goal congruence between directors, executives and shareholders.

The Board’s policy for determining the nature and amount of remuneration for KMP of the consolidated entity is as follows:

- The remuneration policy is to be developed by the Board;
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives;
- Performance incentives are generally only paid once predetermined key performance indicators ('**KPIs**') have been met;
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The Board reviews KMP packages annually by reference to the consolidated entity’s performance, executive performance and comparable information from industry sectors.

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

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

The Board which performs the functions and responsibilities of the Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for directors and executives. The performance of the consolidated entity depends on the quality of directors and executives.

The performance of KMP is measured against criteria agreed biannually with each executive and is based predominantly on the achievement of specific goals and clinical development programme milestones. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP do not receive any other retirement benefits other than any applicable statutory superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 May 2017, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

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

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- short-term performance incentives
- other remuneration such as superannuation and long service leave

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the IRX Board based on the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and KPI's being achieved. KPI's include clinical development pathway milestones and leadership contribution.

Performance-based remuneration
KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the consolidated entity and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the consolidated entity's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the company bases the assessment on audited figures; however, where the KPI involves comparison of the consolidated entity to the market, independent reports are obtained from organisations such as Standard & Poor's.

Consolidated entity performance and link to remuneration
The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The method applied to achieve this aim, was a performance-based bonus based on KPIs. The company believes this policy will be effective in increasing shareholder wealth.

Use of remuneration consultants
No remuneration consultant was engaged to assess remuneration this period.

Voting and comments made at the company's 2022 Annual General Meeting ('AGM')
At the 26 May 2023 AGM, 99.81% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2022.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Post employment benefits	Share-based payments	
2023	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Termination $	Equity-settled $	Total $
Non-Executive Directors:							
S Williams	84,505	-	-	-	-	24,896	109,401
Dr J Crock	49,838	-	-	-	-	-	49,838
Dr A Saich	45,000	-	-	-	-	-	45,000
Other Key Management Personnel:							
D Davies	149,175	-	-	-	-	32,623	181,798
Dr R Jenny	108,000	-	-	11,613	-	-	119,613
	436,518	-	-	11,613	-	57,519	505,650

	Short-term benefits			Post-employment benefits	Post employment benefits	Share-based payments	
2022	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Termination $	Equity-settled $	Total $
Non-Executive Directors:							
S Williams	84,506	-	-	-	-	13,514	98,020
D Davies *	111,543	-	-	-	-	7,480	119,023
Dr A Saich	45,000	-	-	-	-	-	45,000
Dr J Crock (appointed 26th September 2022)	13,042	-	-	-	-	-	13,042
Other Key Management Personnel:							
D Davies *	37,293	-	-	-	-	6,034	43,327
Dr R Jenny **	38,076	-	-	3,998	-	5,217	47,291
	329,460	-	-	3,998	-	32,245	365,703

* Resigned from the board on 26th September 2022, but continued as the company's Chief Executive Officer.
** Appointed Chief Scientific Officer on 26th September 2022.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
S Williams	77%	86%	-	-	23%	14%
D Davies	-	94%	-	-	-	6%
Dr A Saich	100%	100%	-	-	-	-
Dr J Crock	100%	100%	-	-	-	-
Other Key Management Personnel:						
D Davies *	82%	86%	-	-	18%	14%
Dr Rob Jenny **	100%	89%	-	-	-	11%

* Resigned from the board on 26th September 2022, but continued as the company's Chief Executive Officer.
** Appointed Chief Scientific Officer on 26th September 2022.

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

Name:	Sean Williams
Title:	Non-Executive Chairman
Agreement commenced:	26th July 2021
Term of agreement:	$76,650 per annum plus superannuation

Name:	Dr Andrew Saich
Title:	Non-Executive Director
Agreement commenced:	20th July 2021
Term of agreement:	$45,000 per annum plus superannuation

Name:	Darryl Davies
Title:	Executive Director and then Chief Executive Officer from 26th September 2022
Agreement commenced:	24th December 2021
Term of agreement:	$135,000 per annum plus superannuation

Name:	Dr John Crock
Title:	Non-Executive Director
Agreement commenced:	26th September 2022
Term of agreement:	$45,000 per annum plus superannuation

Name:	Dr Rob Jenny
Title:	Chief Scientific Officer
Agreement commenced:	9th August 2022
Term of agreement:	$108,000 per annum plus superannuation

Name:	Jame Barrie
Title:	Non-Executive Director and Company Secretary
Agreement commenced:	1 March 2024
Term of agreement:	Director fees are payable at $45,000 per annum plus superannuation. He is also entitled to $42,000 per annum is his capacity as company secretary.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2023.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
S Williams	2,000,000	26 May 2023	11 July 2023	11 July 2026	$0.1500	$0.012
D Davies	2,000,000	6 July 2023	11 July 2023	11 July 2026	$0.1500	$0.016

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2023 are set out below:

Name	Number of options granted during the year 2023	Number of options granted during the year 2022	Number of options vested during the year 2023	Number of options vested during the year 2022
S Williams	2,000,000	2,000,000	-	-
D Davies	2,000,000	2,000,000	-	-
R Jenny *	-	1,000,000	-	-

* These options were formally issued on 13 February 2023, but were considered granted for accounting purposes before 31 December 2022.

Additional information
The earnings of the consolidated entity for the five years to 31 December 2023 are summarised below:

	2023 $	2022 $	2021 $	2020 $	2019 $
Sales revenue	-	24,800	167,301	12,557	46,599
Loss after income tax	(1,443,271)	(1,927,049)	(1,111,129)	(1,205,276)	(2,387,735)

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

	2023	2022	2021	2020	2019
Share price at financial year end ($)	0.029	0.060	0.090	0.077	0.030
Basic earnings per share (cents per share)	(0.762)	(1.114)	(0.663)	(1.215)	(3.080)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Held at time of appointment	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Sean Williams	200,000	-	-	-	200,000
Darryl Davies *	33,524,924	-	-	-	33,524,924
John Crock**	1,082,092	-	-	-	1,082,092
	34,807,016	-	-	-	34,807,016

* Held indirectly through Cannvalate Pty Ltd.

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Sean Williams	2,000,000	2,000,000	-	-	4,000,000
Darryl Davies	2,000,000	2,000,000	-	-	4,000,000
Rob Jenny *	1,000,000	-	-	-	1,000,000
	5,000,000	4,000,000	-	-	9,000,000

Other transactions with key management personnel and their related parties
There have been no other transactions involving equity instruments apart from those disclosed in the above tables. There have been no other options granted to key management personnel over unissued shares during or since the end of the reporting period. There have also been no loans made to key management personnel during or since the end of the reporting period.

This concludes the remuneration report, which has been audited.

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

Issue date	Expiry date	Exercise price	Number under option
14 December 2022	14 December 2025	$0.2000	4,000,000
13 February 2023	12 February 2025	$0.2000	1,000,000
11 July 2023	11 July 2026	$0.1500	4,000,000
			9,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate. No options have been granted over unissued shares during or since the end of the reporting period.

Shares issued on the exercise of options
There were no ordinary shares of InhaleRx Limited issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

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

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

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

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

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

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of RSM Australia Partners
There are no officers of the company who are former partners of RSM Australia Partners.

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

Auditor
RSM Australia Partners was appointed in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

____
Sean Williams
Director

28 March 2024

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of InhaleRx Limited and its controlled entities for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 28 March 2024

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General information

The financial statements cover InhaleRx Limited as a consolidated entity consisting of InhaleRx Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is InhaleRx Limited's functional and presentation currency.

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

Level 16 414 Latrobe Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2024. The directors have the power to amend and reissue the financial statements.

InhaleRx Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Note	Consolidated 2023 $	2022 $
Revenue	4	-	24,800
Gain on liquidation of German subsidiaries		-	10,924
Interest revenue		2,029	16,127
R&D tax rebate		1,204,046	-
Expenses			
Directors' fees and costs		(181,659)	(252,439)
Employee benefits expense		(223,425)	(42,254)
Depreciation and amortisation expense		-	(521)
Write off of intangible assets		(13,745)	-
Share based payment expense	26	(57,519)	(32,245)
Consulting costs		(436,351)	(366,960)
Corporate expenses		(210,094)	(192,747)
Marketing expenses		(33,300)	(33,883)
Product development expenditure		(1,448,185)	(977,137)
Other expenses		(36,963)	(80,714)
Finance costs		(8,105)	-
Loss before income tax expense		(1,443,271)	(1,927,049)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of InhaleRx Limited		(1,443,271)	(1,927,049)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		-	(706)
Other comprehensive loss for the year, net of tax		-	(706)
Total comprehensive loss for the year attributable to the owners of InhaleRx Limited		(1,443,271)	(1,927,755)
		Cents	**Cents**
Basic earnings per share	25	(0.762)	(1.114)
Diluted earnings per share	25	(0.762)	(1.114)

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

InhaleRx Limited
Statement of financial position
As at 31 December 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	6	715,819	2,133,387
Trade and other receivables	7	802,362	31,684
Other	8	58,703	79,263
Total current assets		1,576,884	2,244,334
Non-current assets			
Intangibles		-	13,745
Total non-current assets		-	13,745
Total assets		1,576,884	2,258,079
Liabilities			
Current liabilities			
Trade and other payables	9	350,668	205,139
Borrowings	10	560,275	-
Employee benefits		179	179
Other	11	-	150,000
Total current liabilities		911,122	355,318
Non-current liabilities			
Employee benefits		291	-
Total non-current liabilities		291	-
Total liabilities		911,413	355,318
Net assets		665,471	1,902,761
Equity			
Issued capital	12	14,075,978	13,927,516
Reserves	13	(241,346)	(298,865)
Accumulated losses		(13,169,161)	(11,725,890)
Total equity		665,471	1,902,761

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

InhaleRx Limited
Statement of changes in equity
For the year ended 31 December 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2022	12,901,135	(968,991)	(9,254,300)	2,677,844
Loss after income tax expense for the year	-	-	(1,927,049)	(1,927,049)
Other comprehensive loss for the year, net of tax	-	(706)	-	(706)
Total comprehensive loss for the year	-	(706)	(1,927,049)	(1,927,755)
Transfer to profit and loss on derecognition of foreign currency liquidated subsidiaries note 13)	-	94,046	-	94,046
Transfer relating to liquidated subsidiaries (note 13)	-	576,768	(576,768)	-
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	1,026,381	-	-	1,026,381
Share-based payments (note 26)	-	32,245	-	32,245
Transfer relating to expired options	-	(32,227)	32,227	-
Balance at 31 December 2022	13,927,516	(298,865)	(11,725,890)	1,902,761

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2023	13,927,516	(298,865)	(11,725,890)	1,902,761
Loss after income tax expense for the year	-	-	(1,443,271)	(1,443,271)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,443,271)	(1,443,271)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	148,462	-	-	148,462
Share-based payments (note 26)	-	57,519	-	57,519
Balance at 31 December 2023	14,075,978	(241,346)	(13,169,161)	665,471

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

InhaleRx Limited
Statement of cash flows
For the year ended 31 December 2023

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(2,397,808)	(1,862,294)
Interest received		2,161	15,995
Interest and other finance costs paid		(7,148)	-
R&D tax offset received		440,935	-
Net cash (used in) operating activities	24	(1,961,860)	(1,846,299)
Cash flows from investing activities			
Payments for intangibles		-	(175)
Net cash (used in) investing activities		-	(175)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,200,000
Proceeds from borrowings		545,830	-
Share issue transaction costs		(1,538)	(23,619)
Net cash from financing activities		544,292	1,176,381
Net decrease in cash and cash equivalents		(1,417,568)	(670,093)
Cash and cash equivalents at the beginning of the financial year		2,133,387	2,803,480
Cash and cash equivalents at the end of the financial year	6	715,819	2,133,387

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

Note 1. Material accounting policy information

The accounting policies that are material to the consolidated entity are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

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

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

Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred a loss from ordinary activities of $1,443,271 for the year ended 31 December 2023. In addition, the consolidated entity had negative cash from operating activities of $1,961,860. The above factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the above matters, the Directors believe that it is reasonably foreseeable that the Consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after considering the following matters:

- On 27 March 2024, the company signed a loan agreement with a principal value of $500,000. Refer to note 23, for further details;
- The company is in discussions with interested parties about financing its development expenditure for IRX211 and IRX616a;
- The consolidated entity continues to proactively manage operating cash flow requirements in line with available resources;
- The company has the ability to defer non-essential expenditure if required; and
- The company has the ability to raise additional capital under its general placement capacity. The board is confident that the company will be able to raise additional capital as and when needed.

Accordingly, the directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

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

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Note 1. Material accounting policy information (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of InhaleRx Limited ('company' or 'parent entity') as at 31 December 2023 and the results of all subsidiaries for the year then ended. InhaleRx Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all 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 the entity and has the 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 de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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

Note 1. Material accounting policy information (continued)

R&D tax offset
R&D tax offset received in relation to overheads and expenditure not capitalised is recognised as other income when the right to receive payment is established.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Cash and cash equivalents
Cash and cash equivalents 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.

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

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 1. Material accounting policy information (continued)

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Intangible assets
Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less accumulated amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and not amortised as they are not said to have a finite life.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Employee benefits

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

Note 1. Material accounting policy information (continued)

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

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

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

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

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

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

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Note 1. Material accounting policy information (continued)

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segments: being development of unique medicinal drug-device products to address unmet medical needs . This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Revenue

	Consolidated	
	2023 $	2022 $
Sales of goods	-	24,800

Note 4. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2023 $	Consolidated 2022 $
Major revenue streams		
Medilhale	-	24,800
Geographical regions		
Australia	-	24,800
Timing of revenue recognition		
Goods transferred at a point in time	-	24,800

Note 5. Income tax expense

	Consolidated 2023 $	Consolidated 2022 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,443,271)	(1,927,049)
Tax at the statutory tax rate of 25%	(360,818)	(481,762)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable income	(301,011)	-
Non deductible costs	471,670	253,994
Tax effect of German subsidiary results	-	(2,730)
Tax losses not bought to account	190,159	230,498
Income tax expense	-	-

	Consolidated 2023 $	Consolidated 2022 $
Australian tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	7,535,201	6,774,564
Potential tax benefit @ 25%	1,883,800	1,693,641

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 6. Current assets - cash and cash equivalents

	Consolidated 2023 $	Consolidated 2022 $
Cash at bank	702,986	122,326
Cash on deposit	12,833	2,011,061
	715,819	2,133,387

Note 7. Current assets - trade and other receivables

	Consolidated	
	2023	2022
	$	$
Other receivables	14,666	-
R&D tax rebate receivable	763,111	-
Interest receivable	-	132
GST receivable	24,585	31,552
	802,362	31,684

Note 8. Current assets - other

	Consolidated	
	2023	2022
	$	$
Prepayments	58,703	79,263

Note 9. Current liabilities - trade and other payables

	Consolidated	
	2023	2022
	$	$
Trade payables *	183,563	122,661
Other payables *	167,105	82,478
	350,668	205,139

Refer to note 15 for further information on financial instruments.

* all trade and other payables are unsecured

Note 10. Current liabilities - borrowings

	Consolidated	
	2023	2022
	$	$
Insurance premium funding	13,488	-
R&D finance facility	546,787	-
	560,275	-

Refer to note 15 for further information on financial instruments.

In December 2023, the company drew down $545,830 under its R&D tax offset finance facility. The loan is due for repayment on the earlier of receipt of the company's R&D tax offset for the year ended 31 December 2023 (expected in quarter 1 of 2024) or 30 June 2024. Interest is payable at 16% under this facility. The loan is secured against the company R&D tax offset receivable,

Note 11. Current liabilities - other

	Consolidated	
	2023	**2022**
	$	**$**
Funds received ahead of the issue of shares	-	150,000

The above amount was received with the shares not yet issued subject to shareholder approval which was obtained on 17th February 2023. The related shares were issued on 1 March 2023.

Note 12. Equity - issued capital

	Consolidated			
	2023	**2022**	**2023**	**2022**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	189,766,957	187,266,957	14,075,978	13,927,516

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 January 2022	168,466,957		12,901,135
Issue of shares	3 October 2022	17,500,000	$0.0600	1,050,000
Issue of shares to lead manager	3 October 2022	1,300,000	$0.0600	78,000
Less cost of capital raised		-	$0.0000	(101,619)
Balance	31 December 2022	187,266,957		13,927,516
Issue of shares	1 March 2023	2,500,000	$0.0600	150,000
Less cost of capital raised		-	$0.0000	(1,538)
	31 December 2023	189,766,957		14,075,978

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

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

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to focus on the development of unique medicinal drug-device products to address unmet medical needs.

The capital risk management policy remains unchanged from the 31 December 2022 Annual Report.

Note 13. Equity - reserves

	Consolidated 2023 $	Consolidated 2022 $
Share-based payments reserve	89,764	32,245
Non-controlling interest derecognised	(331,110)	(331,110)
	(241,346)	(298,865)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Non-controlling interest derecognised
This reserve is used to recognise the non-controlling interest at the time of gaining a 100% ownership interest in a subsidiary.

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

Consolidated	NCI derecognised $	Foreign currency $	Share-based payments $	Other $	Total $
Balance at 1 January 2022	(331,110)	(93,340)	32,227	(576,768)	(968,991)
Foreign currency translation	-	(706)	-	-	(706)
Transfer to accumulated losses	-	-	(32,227)	-	(32,227)
Share based payments	-	-	32,245	-	32,245
Transfer to profit and loss on derecognition of FX subsidiaries	-	94,046	-	-	94,046
Transfer relating to liquidated subsidiaries	-	-	-	576,768	576,768
Balance at 31 December 2022	(331,110)	-	32,245	-	(298,865)
Share based payments	-	-	57,519	-	57,519
Balance at 31 December 2023	(331,110)	-	89,764	-	(241,346)

Note 14. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 15. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by the board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

The consolidated entity's financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables, all of which are recognised at amortised cost.

Note 15. Financial instruments (continued)

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity does not hedge.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity is not exposed to any significant foreign exchange risk.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	**2023 $**	**2022 $**	**2023 $**	**2022 $**
US dollars	-	-	-	138,747

	AUD strengthened			AUD weakened		
Consolidated - 2022	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
USD	10%	(13,875)	(13,875)	10%	13,875	13,875

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity is exposed to interest rate risk in relation to its cash holdings but has no variable interest bearing liabilities.

	Basis points increase			Basis points decrease		
Consolidated - 2023	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash at bank	100	7,158	7,158	100	(7,158)	(7,158)

	Basis points increase			Basis points decrease		
Consolidated - 2022	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash at bank	100	21,334	21,334	100	(21,334)	(21,334)

The applicable weighted average effective interest rate was 0.25% (2022: 0.20%)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity is not generating revenue and therefore is not exposed to significant credit risk. All cash balances are held with reputable financial institutions.

Note 15. Financial instruments (continued)

Liquidity risk
Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents).

The consolidated entity manages liquidity risk by maintaining adequate cash reserves continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Refer to note 1 going concern for details of how the board is managing the consolidated entity's liquidity risk.

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

Consolidated - 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	305,668	-	-	-	305,668
Interest-bearing - fixed rate						
Insurance premium funding	10.40%	13,488	-	-	-	13,488
R&D facility	16.00%	546,787	-	-	-	546,787
Total non-derivatives		865,943	-	-	-	865,943

Consolidated - 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	205,139	-	-	-	205,139
Total non-derivatives		205,139	-	-	-	205,139

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

Fair value of financial instruments
None of the consolidated entity's financial instrument have been restated at fair value after initial recognition.

Note 16. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2023 $	**Consolidated 2022 $**
Short-term employee benefits	436,518	329,460
Post-employment benefits	11,613	3,998
Share-based payments	57,519	32,245
	505,650	365,703

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	Consolidated	
	2023	**2022**
	$	**$**
Audit services - RSM Australia Partners (2022: HLB Mann Judd)		
Audit or review of the financial statements	49,000	54,900

Note 18. Contingent asset and liabilities

The consolidated entity had no contingent assets and liabilities at the end of the current or prior financial year.

Note 19. Commitments

The consolidated entity had no commitments at the end of the current or prior financial year.

Note 20. Related party transactions

Parent entity
InhaleRx Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2023	**2022**
	$	**$**
Payment for goods and services:		
Development costs incurred with Ingenu CRO (an entity related to Darryl Davies)	838,000	-
Payment for other expenses:		
Payment for trademark transferred from Cannvalate Pty Ltd (an entity related to Darryl Davies)	8,990	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2023	**2022**
	$	**$**
Current payables:		
Trade payables Ingenu CRO (an entity related to Darryl Davies)	96,800	-
Fees payable to directors	50,826	31,846

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

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023	**2022**
	$	**$**
Loss after income tax	(1,432,449)	(1,937,973)
Total comprehensive loss	(1,432,449)	(1,937,973)

Statement of financial position

	Parent	
	2023	**2022**
	$	**$**
Total current assets	1,576,884	2,233,509
Total assets	1,576,884	2,247,255
Total current liabilities	911,122	355,318
Total liabilities	911,413	355,318
Equity		
Issued capital	14,075,978	13,927,515
Share-based payments reserve	89,764	32,245
Accumulated losses	(13,500,271)	(12,067,823)
Total equity	665,471	1,891,937

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has provided no guarantees in relation to the debts of its subsidiaries at the end of the current and prior financial year.

Contingent liabilities
The parent entity had no contingent liabilities as at the end of the current and prior financial year.

Contractual commitments
The parent entity had no commitments as at the end of the current and prior financial year.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Seng-Vital Pty Ltd	Australia	100.00%	100.00%
Seng-Vital Asia Ltd.*	Hong Kong	-	100.00%

* This company was deregistered during the year.

Significant restrictions
There are no significant restrictions over the consolidated entity's ability to access or use assets, and settle liabilities of the consolidated entity.

Note 23. Events after the reporting period

On 27 March 2024, the company signed a loan agreement with a principal value of $500,000 with the following key terms:-

- $250,000 is payable at upon execution and balance is payable six months after the initial disbursement;
- the debt will carry an interest rate of 10% per annum, accruing from the date of disbursement or drawdown, to be capitalised, with repayment at completion of the loan term;
- loan has a 2 year term from the initial disbursement, but may be repaid earlier at the company’s election;
- at any point during the term of the loan, the lender shall have the option to convert any portion of the outstanding principal and accrued interest into ordinary shares of the company at a conversion price of $0.05 per share or the 30 day VWAP, whichever is the lower; and
- the lender will also be issued options to purchase ordinary shares of InhaleRx. The number of options issued will be equal to the number of ordinary shares into which the loan is convertible at the conversion price. The options will have an exercise price of $0.05 per ordinary share and will be exercisable for a period co-terminous with the loan term.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 24. Reconciliation of loss after income tax to net cash (used in) operating activities

	Consolidated	
	2023	2022
	$	$
Loss after income tax expense for the year	(1,443,271)	(1,927,049)
Adjustments for:		
Depreciation and amortisation	-	9,707
Write off of intangible assets	13,745	-
Share-based payments	57,519	32,245
Gain on liquidation of subsidiaries	-	(10,924)
Accrued interest	957	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(770,678)	(12,546)
Decrease in inventories	-	20,605
Decrease/(increase) in other operating assets	20,560	(14,574)
Increase in trade and other payables	145,529	80,858
Decrease in contract liabilities	-	(24,800)
Increase in employee benefits	291	179
Increase in other operating liabilities	13,488	-
Net cash (used in) operating activities	(1,961,860)	(1,846,299)

Note 25. Earnings per share

	Consolidated	
	2023	2022
	$	$
Loss after income tax attributable to the owners of InhaleRx Limited	(1,443,271)	(1,927,049)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	189,355,998	173,051,066
Weighted average number of ordinary shares used in calculating diluted earnings per share	189,355,998	173,051,066
	Cents	**Cents**
Basic earnings per share	(0.762)	(1.114)
Diluted earnings per share	(0.762)	(1.114)

Note 26. Share-based payments

During the year 4,000,000 options were issued to key management personnel as part of their remuneration under the company's employee share option plan. An overall share based payment expense of $57,519 was recognised during the year

Note 26. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

	Number of options 2023	Weighted average exercise price 2023	Number of options 2022	Weighted average exercise price 2022
Outstanding at the beginning of the financial year	5,000,000	$0.2000	2,000,000	$0.2000
Granted	4,000,000	$0.1500	5,000,000	$0.2000
Expired	-	$0.0000	(2,000,000)	$0.2000
Outstanding at the end of the financial year	9,000,000	$0.1778	5,000,000	$0.2000

Set out below are the options exercisable at the end of the financial year:

Issue Date	Expiry date	2023 Number	2022 Number
14/12/2022	14/12/2025	4,000,000	4,000,000
14/11/2022	12/02/2025	1,000,000	1,000,000
26/05/2023	11/07/2026	2,000,000	-
06/07/2023	11/07/2026	2,000,000	-
		9,000,000	5,000,000

For the options granted during the year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Issue date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
26/05/2023	11/07/2026	$0.0420	$0.1500	88.24%	-	3.44%	$0.012
06/07/2023	11/07/2026	$0.0470	$0.1500	91.62%	-	4.12%	$0.016

The weighted average remaining life of options was 2.12 years (2022: 2.79 years).

InhaleRx Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, based on the factors outlined in note 1 going concern to the financial statements.

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

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

On behalf of the directors

Sean Williams
Director

28 March 2024

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of InhaleRX Limited and its controlled entities

Opinion

We have audited the financial report of InhaleRX Limited ('the Company') and its controlled entities (together 'the Consolidated entity'), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Consolidated entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated entity recorded a loss of $1,443,271 and had net cash outflows from operating activities amounting to $1,961,860 for the year ended 31 December 2023. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern Section, there were no key audit matters identified in the course of the audit.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated entity 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 Consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report (continued)

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of InhaleRX Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 28 March 2024

InhaleRx Limited
Shareholder information
31 December 2023

The shareholder information set out below was applicable as at 19 March 2024.

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	28	-
1,001 to 5,000	88	0.17
5,001 to 10,000	118	0.52
10,001 to 100,000	221	4.33
100,001 and over	120	94.98
	575	100.00
Holding less than a marketable parcel	194	0.48

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
CANNVALATE PTY LTD	39,410,780	20.77
10 BOLIVIANOS PTY LTD	24,684,325	13.01
PYXIS HOLDINGS PTY LTD (THE MAPLETREE A/C)	12,420,000	6.54
FINCLEAR PTY LTD (SUPERHERO SECURITIES A/C)	10,719,429	5.65
MCANN INVESTMENTS PTY LTD	8,000,000	4.22
PARIM SINGH HARMAN SINGH	6,249,999	3.29
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	5,074,905	2.67
DR DAVID JAMES WALLAND	4,771,371	2.51
CITICORP NOMINEES PTY LIMITED	3,623,477	1.91
BNP PARIBAS NOMS PTY LTD	3,405,424	1.79
MR SEAN CHRISTOPHER REEVES	3,326,392	1.75
MR NIV DAGAN	3,282,013	1.73
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,178,215	1.67
MR MICHAEL JAMES REID	3,000,000	1.58
BLISS ON BANKSIA HAIRDRESSING PTY LTD (THE STEFANEST EGG SFUND A/C)	2,845,135	1.50
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT)	2,498,089	1.32
MR PIPER BELESPRIT MADISON	1,800,038	0.95
SASSEY PTY LTD (SASSEY A/C)	1,600,000	0.84
MR DANIEL RICHARD EVANS	1,569,990	0.83
MR PETER STEINMETZ	1,500,000	0.79
	142,959,582	75.32

Unquoted equity securities
A total of 9,000,000 unlisted options over ordinary shares on issue.

InhaleRx Limited
Shareholder information
31 December 2023

Substantial holders
The number of shares held by substantial shareholders and their associates, as disclosed in substantial holder notices are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
CANNVALATE PTY LTD	39,410,780	20.77
10 BOLIVIANOS PTY LTD	24,684,325	13.01
PYXIS HOLDINGS PTY LTD (THE MAPLETREE A/C)	12,420,000	6.54
FINCLEAR PTY LTD (SUPERHERO SECURITIES A/C)	10,719,429	5.65

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

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

Options
Option holders have no voting rights.