
Cortical Dynamics Limited
ACN 107 557 620

Financial Report 30 June 2024

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Cortical Dynamics Limited

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Directors

David Breeze
Charles Chang
Ashley Zimpel

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Australian Business Number

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Directors' Report

Cortical Dynamics Limited

The directors of Cortical Dynamics Limited ("Cortical Dynamics" or the "Company") present their report on the company for the financial year ended 30 June 2024.

Directors

The names of directors in office at any time during or since the end of the year are:

Name	Date Appointed	Date Resigned
David Breeze	9 November 2004	Current
Charles Chang	4 March 2020	Current
Ashley Zimpel	4 March 2020	Current

Company Secretary

Mr David Breeze was appointed Company Secretary on 23 November 2016 until his resignation on 17 December 2019. He was re-appointed Company Secretary on 26 February 2020. He has many years' experience in the management of listed and unlisted entities.

Principal Activities

The principal activity of the Company during the financial year was the development of the Brain Anaesthesia Response Monitor (BARM) which is based on an algorithm able to measure patient brain activity during surgery to assist in maintaining optimal drug dosage.

Operating Results

The operating loss for the Company after tax for the year was \$1,681,377 (2023: loss of \$2,074,350).

Dividends

The directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Indemnifying Officers or Auditors

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify or paid or agreed to pay insurance premiums as follows. The Company has paid premiums to insure directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The Company has not indemnified the current or former auditors of the Company.

Financial Position

The Company has a working capital deficit of \$1,246,363 as at 30 June 2024 (2023: deficit of \$485,713) and net liabilities of \$1,225,461 as at 30 June 2024 (2023: net liabilities of \$454,084).

Significant Changes in State Of Affairs

There were no other significant changes in the state of affairs of the Company other than that referred to in the Review of Operations, financial statements or notes thereto.

Directors' Report

Cortical Dynamics Limited

Information on Directors

Ashley Zimpel (appointed 4 March 2020)

Executive Director – Age 65

Shares held – 9,584,038

Options held – 11,000,000

Mr Zimpel is Perth based business developer, corporate financier and senior banker/investment banker with broad financial markets experience and a strong focus on innovation, client interaction, financing and business strategy. He has a 35 year track record of founding, investing in and establishing businesses in financial capital markets, Agri- business and fintech in WA and Australia wide. Adviser and mentor to Start-ups, SMEs and state government. He has a long history of interaction with Western Australian Government Sector, WA Universities, business incubators and innovation community. He has an exemplary record of capital raising in both equity, debt and structured financial products for start-ups, SMEs, ASX listed public companies and government agencies both in Australia and internationally. He has held positions of executive chairman, executive director, director, partner and financial advisor in financial institutions and ASX listed companies including Aurora Labs (ASX:A3D). His prior roles include:- Enable Funding-Co-Founder and Founding Chairman, Charter Pacific Corporation-Chairman Advisory Committee, Marine Produce Limited-Chairman, Macquarie Bank-Director, Bankers Trust Australia- Senior Vice President, Rand Merchant Bank Australia-Co Founder and Executive Director, Hattersley Maxwell Noall.

David Breeze (appointed 9 November 2004)

Executive Director and Company Secretary – Age 71

Shares held – 9,998,702

Options held- 3,500,000

David is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; and held executive and director positions in the stock broking industry. David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as an Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

David is Chairman of unlisted Grandbridge Limited, an investment and advisory company, and a director ASX listed BPH Energy Limited and MEC Resources Limited. He is also a director of unlisted Molecular Discovery Systems Limited, Diagnostic Array Systems Limited, and Advent Energy Limited and its subsidiaries.

Charles Chang (appointed 4 March 2020)

Non - Executive Director – Age 67

Shares held – 7,713,803

Options held – 3,500,000

Mr Chang was the founder of corporate strategic advisory firm Accolade, Inc. in 2000, co-founder of a NGO in building energy efficiency called Reimagining Cities, and Gentium Partners, an accelerator VC investment firm under the auspices of the Ministry of Small-and-Medium Enterprises. Mr Chang was previously a Managing Director at Deutsche Bank and Bankers Trust, in investment banking. Mr Chang received his M.Sc. from Dartmouth Guarani School of Graduate and Advanced Studies and B.A. in Economics from UC Berkeley. Over the years, Mr Chang has served on several boards including as a representative of AXA Asset Management in their JV in Korea with the third largest domestic life

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insurance company. Mr Chang co-chaired the subcommittee on PE/VC for the AmCham in Korea and is still actively involved in ESG, climate change activism, and supporting a NGO for disadvantaged children.

Review of Operations

Cortical Dynamics Limited is an Australian based medical device neurotechnology company that is developing BARM™, an industry leading EEG (electrical activity) brain function monitor. BARM™ is being developed to better detect the effect of anaesthetic agents on brain activity under a general operation, aiding anaesthetists in keeping patients optimally anaesthetised, and complemented by CORDYAN™ (Cortical Dynamics Analytics), a proprietary deep learning system/App focusing on anaesthesiology.

The Australian manufactured and designed, electroencephalographically based (EEG-based), BARM™ system is configured to efficiently image and display complex information related to the clinically relevant state of the brain. When commercialized the BARM™ system will be offered on a stand-alone basis or integrated into leading brand operating room monitors as “plug and play” option.

In September 2023 Cortical secured FDA 510(k) clearance in the USA for its flagship technology, the Brain Anaesthesia Response Monitor or BARM™ system version 1. The Food and Drug Administration (“FDA”) is the federal agency of the United States Department of Health and Human Services which regulates the sale of medical device products (including diagnostic tests) in the U.S. and monitors the safety of all regulated medical products. FDA approval is a necessary precursor for sales of BARM™ to commence in the USA.

The clearance is a result of two years' work post submission with the US Food and Drug Administration (FDA) in 2021, Cortical being ably assisted by MCRA, a leading Washington based medical global full-service medical device, diagnostics, and biologics CRO and consulting advisory firm. The 510(k) clearance for BARM™ version 1 in the USA is complemented by existing regulatory approvals in Australia (TGA), Europe (CE) and South Korea (KMFDS).

The BARM™ Pec “plug and play “version 1 was approved compatible by Philips with its IntelliView operating room monitors earlier this year. Cortical is working on an enhanced version of BARM™ with its partner AIT (the Austrian Institute of Technology) based in Vienna which will include upgrades to the software, hardware and firmware.

BPH and Cortical Director, Mr David Breeze stated that “the 510 (k) clearance by the FDA is a major milestone in the development of the Company which lays the foundation for the commercialisation of the BARM™ system in the USA”.

Additionally, building on the technical and regulatory developments in the Company, Cortical has appointed Dr Sunil Nagaraj PhD as its new Chief Scientist. Dr. Sunil Belur Nagaraj obtained his Master's Degree from the University of Victoria in Canada in 2010 and Doctoral Degree from University College Cork, Ireland in 2015. His doctoral research centered around the development of AI-based real-time brain monitoring, utilising EEG recordings to monitor brain activity.

After a role as a postdoctoral fellow at the Harvard Medical School/Massachusetts General Hospital in the USA. Dr Nagaraj assumed the position of an Assistant Professor of medicine at the University Medical Centre Groningen in The Netherlands for two years. Concurrently, he dedicated three years to working as a scientist at Royal Philips, where he specialised in sleep disorders at the Innovation Forum, highlighting its potential to provide future insights into heart-brain connectivity. Throughout his career, Dr. Nagaraj has demonstrated exceptional research acumen, with a patent and 21 high-impact journal articles to his name, amassing over 650 pioneering research papers and has been recognised through several

Directors' Report

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national and international grants, enabling him to conduct cutting-edge studies that contribute significantly to the advancement of medical technology.

Cortical raised \$680,000 during the year from the issue of 3,150,000 shares at an average of \$0.192 per share and issued 1,150,000 shares to a director and staff as part of remuneration.

About BARM™

The BARM™ technical approach is different from other medical brain monitoring devices currently available in the market in that its underlying algorithm produces EEG indexes which are directly related to the physiological state of the patient's brain. Such monitoring is gaining significant use during surgery, however even with the use of EEG monitors, it is not uncommon for there to be a critical imbalance between the patient's anaesthetic requirements and the anaesthetic drugs given. To date, existing EEG based depth of anaesthesia ("D o A") monitors operate in the context of a number of well documented limitations: (i) inability to monitor the analgesic effects; and (ii) reliably measure certain hypnotic agents.

The above limitations highlight the inadequacies in current EEG based depth of anaesthesia monitors, particularly given surgical anaesthesia requires both hypnotic and analgesic agents (and muscle relaxants).

BARM™ Technology and Addressable Market

BARM™ is focussed not only on monitoring the inhalation methodology of anaesthesia delivery, but importantly has a very strong focus on Total Intravenous Anaesthesia (TIVA) monitoring. TIVA is a method of inducing and maintaining general anaesthesia without the use of any inhalation agents and is growing in popularity not least because its use eliminates greenhouse gases that are a direct consequence of gaseous anaesthesia. TIVA is also a cheaper option. TIVA is becoming more widely accepted, particularly in Europe and approximately 29 million major general surgeries are conducted in the European Union each year, of which 55% (circa 16 million) are balanced anaesthesia (using a combination of intravenous agents such as propofol and volatile gases) and 20% are total intravenous anaesthesia using propofol. This creates a growing market opportunity for BARM™ of between US\$83m to \$229m in the European Union alone.

Additionally, there is growing recognition amongst health governing bodies to recommend the use of brain monitors during operations involving general anaesthesia such as in the UK; "The use of EEG-based depth of anaesthesia monitors has been recommended in patients receiving total intravenous anaesthesia because it is cost effective and because it is not possible to measure end-tidal anaesthetic concentration in this group" (source: nice.org.uk).

Additional potential applications for BARM™ in helping mitigate or reduce Cognitive decline in the elderly after surgery and anaesthesia as a result of brain monitoring.

A recent editorial in International Psychogeriatrics concluded that 'anaesthesia and surgery induce cognitive dysfunction in susceptible individuals. Susceptible people are thought to include the elderly. This is a serious problem. It was recently estimated that there are annually over 230 million procedures with general anaesthesia worldwide. There are over 880 million people > 60 years old in the world today. The latter figure is predicted to grow rapidly as life expectancy increases, particularly in developing countries.

The consensus statement of the First International Workshop on Anaesthetics and Alzheimer's Disease concluded that 'there is sufficient evidence at multiple levels to warrant further and more definitive investigations of the onset and progression of Alzheimer's disease and neurodegeneration after anaesthesia and surgery'.

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Statistics- Summary USA

1. There are 17.8 million annual cases of anaesthesia in the over 65 age group in the USA alone
2. 14% of these experience POCD- 2.5million (post-operative cognitive decline)
3. 10% of these patients experience acceleration of cognitive decline and are admitted to aged care facilities 2 years earlier than would otherwise be the case.
4. This equates to 250,000 people at a cost/year of USD \$40,000 per individual and an overall increased cost of USD\$ 20 billion to society

The Neurotechnology Market

The global brain monitoring market is on a high growth trajectory as a recent KPMG (July 2022) report outlines with Neurotechnology being recognised as a top 20 emerging "giant" growth industry in the Asia Pacific Region alone. Around 312 million major surgical procedures requiring anaesthesia are undertaken every year worldwide (WHO 2012.) The pain monitoring market is valued at over US\$8.6 billion per annum by 2022. (www.grandviewresearch.com/industry-analysis/pain-management-devices-market- April 2016).

Potential Future applications of the technology

Cortical's technology has a versatility that may go beyond depth of anaesthesia and may be applied to other EEG based markets, such as neuro-diagnostic, drug discovery, drug evaluation and the emerging Brain Computer Interface (BCI) market.

There are also considerable opportunities that may be offered by subsequent expansion of the company's core technology through developing the product to carry out additional functions including neuro-diagnostics of changes in brain and memory functions to provide early warning of degenerative diseases, pain response and tranquiliser monitoring for trauma patients in intensive care units.

While the current array of bedside monitoring and imaging systems in the critical care environment has led to dramatic reductions in mortality, they do not as yet involve the continuous monitoring of brain function. This is widely acknowledged to be a major problem, as the care and management of the critically ill patient is ultimately all about the brain.

The continuous monitoring of a patients' brain state is not only necessary to diagnose and manage acute deteriorations in brain function that may have long lasting effects, but also to aid in the optimal administration of sedation and analgesia. Sedation and analgesia in the critically ill patient play a pivotal role in their care and is necessary to minimize patient distress and agitation, being essential to facilitate the utility of a wide variety of life support equipment and procedures, the most important of which is mechanical ventilation.

Study after study has shown that too deep sedation increases the time on mechanical ventilation, which leads to increases in mortality, the incidence of complications and treatment costs. Given these acknowledged advantages to brain function monitoring in the ICU why then is continuous monitoring of brain function not currently available.

There are two main reasons for this:

1. Firstly, the size and the complexity of configuration of most approaches to monitoring brain function are simply not capable of being adapted for use in the busy and crowded ICU environment.
2. Secondly, in those monitoring approaches that could be potentially deployed at the bedside, they depend on physiologically uncertain principles of operation that are not relevant, or meaningfully interpretable, in the context of the critically ill patient.

Directors' Report

Cortical Dynamics Limited

Cortical aims to investigate these limitations by the further development and trialling of BARM™ in this setting with a view to extending the functionality of bedside EEG monitoring to the objective monitoring of analgesia, a measure also vital to the management of the sedated mechanically ventilated critically ill patient. In Australia between 2015 and 2016 there were approximately 149,000 admissions to ICU of which 48,000 required continuous ventilatory support (CVS) and thus required sedation, pain relief and who would have potentially benefited from such monitoring as BARM™ could provide.

Cortical has entered into a partnership with Austrian EEG experts ENCEVIS /AIT with a view to further enhance the BARM™ technology. The AIT Austrian Institute of Technology is Austria's largest research and technology organisation employing over 1,300 people. The Republic of Austria (through the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology) owns 50.46% of AIT, while the Federation of Austrian Industries owns the other 49.54%. ENCEVIS is a division of AIT that specialises in EEG.

Subsequent Events

Subsequent to year end the Company has raised a further \$50,000 from the issue of 200,000 shares at \$0.25 per share, and 7,000,000 share options with an exercise price of \$0.20 each expired unexercised.

Other than the above, there have not been any matters or circumstance that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Meetings of Directors

During the financial year no meetings of directors were held. The Board meets regularly by telephone to make day-to-day decisions with respect to the business of the Company.

Non-Audit Services

The external auditors did not perform any non-audit services during the year ended 30 June 2024 (2023: \$2,040).

Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

<i>Grant Date</i>	<i>Date of Expiry</i>	<i>Exercise Price</i>	<i>Number Under Option</i>
14/5/2020	15/5/2025	\$0.15	10,500,000 ¹
21/6/2020	21/6/2025	\$0.20	250,000
18/11/2020	18/11/2025	\$0.25	7,500,000
19/1/2021	22/11/2025	\$0.25	250,000

¹ These options originally expired on 15 May 2023 but their term was extended to 15 May 2025 during the prior year

During the year ended 30 June 2024 no ordinary shares of the Company were issued on the exercise of options (2023: Nil). No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate. No shares have been issued during or since the end of the financial year as a result of exercise of an option.

Directors' Report

Cortical Dynamics Limited

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Likely Developments

Likely developments other than those disclosed in this financial report which may prejudice the company by disclosure have not been disclosed.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2024 has been received and can be found on page 8.

Signed in accordance with a resolution of the board of directors.



David Breeze

Director

Dated this 16th October 2024

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Cortical Dynamics Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
16 October 2024


D B Healy
Partner

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Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2024

Cortical Dynamics Limited

	Note	2024	2023
		\$	\$
Revenue	2	1,657	13,749
Other income	2	636,673	274,745
Cost of goods sold		-	(4,708)
Administration expenses		(802,352)	(744,197)
Interest expense		(15,785)	(5,451)
Finance costs		(22,011)	(374)
Foreign exchange gain		8,281	20
Legal and patent expenses		(90,878)	(146,683)
Depreciation expense: property, plant and equipment	10	(4,522)	(2,254)
Depreciation expense: right-of-use asset	11	(38,200)	(23,913)
Share based payments		(230,000)	(325,976)
Research and development expenses	3	(1,098,764)	(1,082,522)
Other expenses from ordinary activities		(25,476)	(26,786)
Operating loss before income tax		(1,681,377)	(2,074,350)
Income tax expense	7	-	-
Operating loss from continuing operations		(1,681,377)	(2,074,350)
<i>Other comprehensive Income:</i>			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Total comprehensive loss		(1,681,377)	(2,074,350)

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

Statement of Financial Position

as at 30 June 2024

Cortical Dynamics Limited

	Note	2024 (\$)	2023 (\$)
Current Assets			
Cash and cash equivalents	5	28,603	211,833
Trade and other receivables	8	30,055	32,780
Prepayments		32,487	31,658
Inventories	9	23,600	-
Total Current Assets		114,745	276,271
Non-Current Assets			
Property, plant and equipment	10	12,432	5,621
Right-of-use asset	11	8,470	33,478
Total Non-Current Assets		20,902	39,099
Total Assets		135,647	315,370
Current Liabilities			
Trade and other payables	12	809,179	725,301
Provisions	13	9,544	9,501
Lease liabilities	14	10,655	27,182
Borrowings	15	531,730	-
Total Current Liabilities		1,361,108	761,984
Non-Current Liabilities			
Lease liabilities	14	-	7,470
Total Non-Current Liabilities		-	7,470
Total Liabilities		1,361,108	769,454
Net (Liabilities)		(1,225,461)	(454,084)
Equity			
Issued capital	16	9,812,823	8,902,823
Reserves	17	896,722	896,722
Accumulated losses		(11,935,006)	(10,253,629)
Total deficiency attributable to equity holders of the Company		(1,225,461)	(454,084)

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

Statement of Changes in Equity

for the year ended 30 June 2024

Cortical Dynamics Limited

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance at 30 June 2022	7,699,140	(8,179,279)	570,746	90,607
Loss attributable to members of the Company	-	(2,074,350)	-	(2,074,350)
Total comprehensive loss	-	(2,074,350)	-	(2,074,350)
Shares issued for cash	1,270,463	-	-	1,270,463
Share issue costs	(66,780)	-	-	(66,780)
Share based payments	-	-	325,976	325,976
Balance at 30 June 2023	8,902,823	(10,253,629)	896,722	(454,084)
Loss attributable to members of the Company	-	(1,681,377)	-	(1,681,377)
Total comprehensive loss	-	(1,681,377)	-	(1,681,377)
Shares issued for cash	680,000	-	-	680,000
Share based payments	230,000	-	-	230,000
Balance at 30 June 2024	9,812,823	(11,935,006)	896,722	(1,225,461)

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

Statement of Cash Flows

for the year ended 30 June 2024

Cortical Dynamics Limited

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers		-	10,667
Payments to suppliers and employees		(1,948,506)	(1,474,156)
Research and development tax offset received		636,673	247,345
Interest received		1,657	2,772
Interest paid		(4,531)	(3,213)
Grant income received		-	30,140
Net cash used in operating activities	18(b)	(1,314,707)	(1,186,445)
Cash flows used in investing activities			
Acquisition of property, plant and equipment		(11,334)	(5,199)
Net cash used in financing activities		(11,334)	(5,199)
Cash flows from financing activities			
Shares issued for cash		680,000	1,270,463
Share issue costs		-	(66,780)
Repayment of lease liabilities	18(c)	(37,189)	(22,739)
Loans repaid to related entity		(205,000)	-
Loans received from related entity	18(d)	705,000	-
Net cash provided by financing activities		1,142,811	1,180,944
Net (decrease) in cash held		(183,230)	(10,700)
Cash at the beginning of the financial year		211,833	222,533
Cash at the end of the financial year	18(a)	28,603	211,833

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

Notes to the Financial Statements

Cortical Dynamics Limited

1. Statement of Material Accounting Policies

Corporate Information

The financial report includes the financial statements and the notes to the financial statements of Cortical Dynamics Ltd ("Cortical" or the "Company"). Cortical is a public unlisted company, which is incorporated and domiciled in Australia. This financial report was authorised for issue on 16 October 2024 by the board of directors.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, and the Corporations Act 2001. Cortical Dynamics Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of for profit selected non-current assets, financial assets and financial liabilities.

Compliance with IFRS

The financial statements of Cortical Dynamics Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going Concern

The operating loss for the Company after tax for the year was \$1,681,377 (2023: loss of \$2,074,350). The Company has a working capital deficit of \$1,246,363 as at 30 June 2024 (2023: deficit of \$485,713) and net liabilities of \$1,225,461 as at 30 June 2024 (2023: net liabilities of \$454,084). Subsequent to year end the Company has raised further cash of \$50,000 from the issue of 200,000 shares. Included in trade creditors and payables are balances totalling \$678,833 (2023: \$526,833) payable to current directors. The directors, as a part of their cash expenditure monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources until such time that the Company has sufficient cash resources.

Based on the cash flow forecasts and expense reductions implemented, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Should the Company not be successful in raising additional funds through the issue of new equity or borrowings, should the need arise, there exists a material uncertainty that may cast significant doubt as to whether or not the Company will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities as and when they fall due and in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative 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.

Notes to the Financial Statements

Cortical Dynamics Limited

Material Accounting Policies

(a) Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

(i) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Notes to the Financial Statements

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All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(iii) Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

(iv) value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI. The Company accounts for financial assets at FVOCI if the assets meet the following conditions: they are held under a business model whose objective it is to "hold to collect" the associated cash flows and sell financial assets; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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Cortical Dynamics Limited

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

(b) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(c) Revenue and Other Income

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Intangibles

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

(e) Income Tax

The charge / (benefit) for current income tax expense is based on the profit / (loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the Financial Statements

Cortical Dynamics Limited

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses or tax credits can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax incentives

The Company may be entitled to claim a Research and Development Tax Incentive in relation to qualifying expenditure. As the Company is not in a position to recognise current income tax payable or current tax expense, the refundable tax offset is in cash and recognised as Research and Development Tax Incentive rebate revenue in the period received.

(f) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are unsecured and are usually paid within 60 days.

(g) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(h) Share based payments

Share based compensation benefits are provided to employees as shares or via the employee incentive option plan. The fair value of shares is measured at grant date with most recent capital raise share price used to value the equity.

The fair value of options granted under the Company's employee option plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance date, the Company revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Notes to the Financial Statements

Cortical Dynamics Limited

(i) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates — Research and development tax incentives

The Company has determined that it will only recognise research and development tax incentive rebates in the period in which they are received.

Key estimates — Share based payments

The fair value of share based payments is set out in Note 1 (h) using a Black Scholes option pricing model.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value (refer Note 9).

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- (i) Raw materials – purchase cost on a first-in, first-out basis; and
- (ii) Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Notes to the Financial Statements

Cortical Dynamics Limited

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings / accumulated losses.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(m) Application of New and Revised Accounting Standards

Standards and Interpretations applicable to 30 June 2024

In the year ended 30 June 2024, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period beginning on or after 1 July 2023. The changes that impact the Company are as follows:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates / AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards

AASB 2021-2 amends a number of accounting standards to improve accounting policy disclosures and clarify the distinction between changes in accounting policies and accounting estimates.

In particular, it amends AASB 101 *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies and provides the following factors to assist an entity in determining if the accounting policy information is material:

- a) Changes in accounting policy
- b) Documentation of choice in the accounting standards
- c) An accounting policy developed in the absence of an explicit accounting standard requirement
- d) Significant judgement or estimation
- e) Complex transaction and accounting policy need to explain treatment.

AASB 2021-6 makes consequential amendments to a number of Australian-specific standards.

Notes to the Financial Statements

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AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules / AASB 2023-4 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures

Amendments have been made to AASB 112 *Income Taxes* by introducing a mandatory exception from accounting for deferred taxes arising from the OECD's Pillar Two Model Rules and adding new disclosure requirements for both full and simplified disclosure financial statements.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2024. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to the Company's accounting policies.

(n) Leases

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The

variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Notes to the Financial Statements

Cortical Dynamics Limited

	2024	2023
Note	\$	\$
2. Revenue		
<i>Revenue</i>		
Sale of finished goods	-	10,977
Interest revenue	1,657	2,772
	<u>1,657</u>	<u>13,749</u>
<i>Other Income</i>		
Grant Income	-	27,400
Research and development tax incentive rebate	1(e) 636,673	247,345
	<u>636,673</u>	<u>274,745</u>

3. Expenses Included in the Loss for the Year

<i>Research and development expenses:</i>		
Consultant expense	291,231	633,682
Clinical trials	73,233	79,187
Wages and associated on-costs	711,736	273,646
Other	22,564	96,007
	<u>1,098,764</u>	<u>1,082,522</u>

4. Auditors' Remuneration

<i>Remuneration of the auditor of the Company:</i>		
<i>HLB Mann Judd:</i>		
Audit fees	18,260	10,852
Audit of grant acquittal	-	2,040
	<u>18,260</u>	<u>12,892</u>

5. Cash and Cash Equivalents

Cash at bank and in hand	<u>28,603</u>	<u>211,833</u>
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The average effective interest rate on short-term bank deposits was 0.017%: (2023: 0.002%).

Notes to the Financial Statements

Cortical Dynamics Limited

6. Key Management Personnel Compensation

Names and positions held of Company key management personnel in office at any time during the financial year are:

Key Management Personnel

Ashley Zimpel - Executive Director

David Breeze – Executive Director and Company Secretary

Charles Chang - Non-Executive Director

Remuneration of Key Management Personnel (KMP)

KMP remuneration was as follows.

	2024	2023
	\$	\$
Salary, fees, and allowances	430,000	430,000
Share based payments	100,000	325,976
	<u>530,000</u>	<u>755,976</u>

Notes to the Financial Statements

Cortical Dynamics Limited

	2024	2023
	\$	\$
7. Income Tax Expense		
a) The prima facie (benefit) on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Accounting loss before tax	(1,681,377)	(2,074,350)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 25% (2023: 25%)	(420,344)	(518,578)
Effect of concessions: research and development grant	365,904	142,153
Tax benefit of revenue losses and temporary differences not recognised	54,440	376,425
Income tax	-	-

(b) The following deferred tax balances at 25% (2023: 25%) have not been recognised
Deferred Tax Assets:

Carry forward revenue losses	1,460,057	1,363,863
Temporary differences	26,922	59,780
Net unrecognised deferred tax assets:	1,486,979	1,423,643

(c) The tax benefits of the unrecognised tax losses will only be obtained if:

- (i) the Company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in income tax legislation adversely affect the Company in utilising the benefits.

Notes to the Financial Statements

Cortical Dynamics Limited

	2024 \$	2023 \$
8. Trade and Other Receivables		
<i>Current</i>		
Trade receivables	679	310
Other receivables	29,376	32,470
Total trade and other receivables	<u>30,055</u>	<u>32,780</u>
9. Inventories		
<i>Current</i>		
Raw materials at cost	23,600	100,949
Less: writedown	-	(100,949)
Raw materials at net realisable value	<u>23,600</u>	-
Finished goods at cost	-	41,401
Less: writedown	-	(41,401)
Finished goods at net realisable value	<u>-</u>	<u>-</u>
10. Property, Plant and Equipment		
Cost	38,753	27,420
Accumulated depreciation	(26,321)	(21,799)
Closing balance	<u>12,432</u>	<u>5,621</u>
Reconciliation of carrying value		
Office equipment:		
Opening balance	5,621	2,676
Additions	11,333	5,199
Less: depreciation	(4,522)	(2,254)
Closing balance	<u>12,432</u>	<u>5,621</u>

Notes to the Financial Statements

Cortical Dynamics Limited

	2024 \$	2023 \$
11. Right-of-Use Asset		
Opening balance	33,478	-
Recognised on commencement of lease	-	57,391
Recognised on revaluation of lease	13,192	-
Depreciation	(38,200)	(23,913)
Closing balance	8,470	33,478

12. Trade and Other Payables

Current unsecured:

Trade payables	56,339	154,507
Director fee accruals	678,833	526,832
Sundry payables and accrued expenses	74,007	43,962
	809,179	725,301

The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources until such time that the Company has sufficient cash resources.

Trade payables are normally settled within 60 days.

13. Provisions

Current

Annual leave:

Opening	9,501	-
Accrued	43	9,501
Closing	9,544	9,501

Notes to the Financial Statements

Cortical Dynamics Limited

14. Lease Liabilities

	2024 \$	2023 \$
<i>Office premises:</i>		
Current liabilities	10,655	27,182
Non-current liabilities	-	7,470
	<u>10,655</u>	<u>34,652</u>
Opening balance	34,652	-
Recognised on commencement of lease	-	57,391
Recognised on revaluation of lease	13,192	-
Principal repayments	(37,189)	(22,739)
Closing balance	<u>10,655</u>	<u>34,652</u>

The lease expired in September 2024. A maturity analysis of future minimum lease payments is presented below:

Lease payments due 30 June 2024	< 1 year (\$)	1-5 years (\$)	Total (\$)
Lease payments	10,708	-	10,708
Interest	(53)	-	(53)
Net present value	<u>10,655</u>	<u>-</u>	<u>10,655</u>

Cash outflows relating to leases for the period ended 30 June 2024 was \$39,619 (2023: \$24,977) of which \$37,189 (2023: \$22,739) related to principal payments, and \$2,430 (2023: \$2,238) to interest.

15. Borrowings

	2024 \$	2023 \$
Current		
Borrowings – related party - secured	531,730	-
	<u>531,730</u>	<u>-</u>

Borrowings are secured against the proceeds of the Research and Development tax rebate and incur an interest rate of 8% per annum and an establishment fee of 3% on loan drawdowns.

Notes to the Financial Statements

Cortical Dynamics Limited

16. Issued Capital

	2024 \$	2023 \$
197,641,460 (2023: 192,941,460) fully paid ordinary shares of no par value	9,812,823	8,902,823

a) Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Ordinary Shares	2024 \$	2023 \$	2024 Number	2023 Number
At the beginning of reporting period	8,902,823	7,699,140	192,941,460	182,981,760
Shares issued for cash	680,000	1,270,463	3,550,000	9,959,700
Share based payments	230,000	-	1,150,000	
Share issue costs	-	(66,780)	-	-
At reporting date	<u>9,812,823</u>	<u>8,902,823</u>	<u>197,641,460</u>	<u>192,941,460</u>

b) Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The focus of the Company's capital risk management is:

- the current working capital position against the requirements of the Company to meet corporate overheads; and
- to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Company at 30 June 2024 and 30 June 2023 is as follows:

	2024 \$	2023 \$
Cash and cash equivalents	28,603	211,833
Trade and other receivables	30,055	32,780
Prepayments	32,487	31,658
Inventories	23,600	-
Trade and other payables	(809,179)	(725,301)
Provisions	(9,544)	(9,501)
Lease liabilities	(10,655)	(27,182)
Borrowings	(531,730)	-
Working capital position	<u>(1,246,363)</u>	<u>(485,713)</u>

Refer to Note 1 for further details of the Company's financial position and plans to manage the working capital.

Notes to the Financial Statements

Cortical Dynamics Limited

17. Reserves

	2024	2023
	\$	\$
Share based payments reserve	896,722	896,722
	<u>896,722</u>	<u>896,722</u>

Reconciliation of movement

Opening balance	896,722	570,746
Share based payments	-	325,976
Closing balance	<u>896,722</u>	<u>896,722</u>

The option reserve records items recognised as expenses in respect of share options. Refer to Note 24 for further details on share based payments.

18. Cash Flow Information

a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2024 (\$)	2023 (\$)
Cash and cash equivalents	28,603	211,833

b) Reconciliation of cash flow from operations with profit after income tax

Operating loss after income tax	(1,681,377)	(2,074,350)
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Non-cash flows:

Depreciation and amortisation	42,722	26,167
Loan interest and fees	31,730	-
Share based payments	230,000	325,976

Changes in working capital:

Decrease in trade and other receivables	2,725	245,377
(Increase) in other assets	(829)	(9,183)
(Increase) in inventories	(23,600)	-
Increase in trade payables and accruals	83,879	290,067
Increase in provisions	43	9,501
Net cash (outflows) from operating activities	<u>(1,314,707)</u>	<u>(1,186,445)</u>

(c) Changes in financial liabilities arising from financing activities:

Lease liabilities

Opening balance	34,652	-
Recognised on commencement of lease	-	57,391
Recognised on revaluation of lease	13,192	-
Net cashflows from financing activities	<u>(37,189)</u>	<u>(22,739)</u>
Closing balance	<u>10,655</u>	<u>34,652</u>

Notes to the Financial Statements

Cortical Dynamics Limited

18. Cash Flow Information (continued)

	2024	2023
	\$	\$
<i>Borrowings</i>		
Opening balance	-	-
Loans received from related entity	705,000	-
Loans repaid to related entity	(205,000)	-
Interest and fees	31,730	-
Closing balance	<u>531,730</u>	<u>-</u>

19. Financial Instruments

a) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, and accounts receivable and payable. The main purpose of non-derivative financial instruments is to raise finance for Company operations.

i. Financial Risks

The main risks that the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk.

Interest rate risk

Interest rate risk is managed with fixed and variable rate debt as required.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

Foreign exchange risk

The Company is exposed to foreign exchange risk on product sales proceeds and costs which are quoted in currencies (US\$ and Euro) other than the functional currency of the Company, being the A\$, and cash balances held in US\$. The Company does not hedge this risk, however it continues to monitor these exchange rates so that this currency exposure is maintained at an acceptable level. There is a natural hedge in place to the extent US\$ costs are covered by US\$ revenues.

Notes to the Financial Statements

Cortical Dynamics Limited

19. Financial Instruments (continued)

b) Financial Instruments

i. Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows. The effective average interest rate is calculated on interest bearing assets and liabilities.

2024	Effective Average Interest Rate Receivable/ Payable %	Floating Interest Rate \$	Fixed Interest Rate 0 – 1 Years \$	Fixed Interest Rate 1 – 5 Years \$	Non-Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	0.017%	28,603	-	-	-	28,603
Trade and other receivables		-	-	-	30,055	30,055
		28,603	-	-	30,055	58,658
Financial Liabilities						
Trade and sundry payables	7.10%	-	34,369	-	774,510	808,879
Borrowings	8.0%	-	531,730	-	-	531,730
Lease liabilities	6.0%	-	10,655	-	-	10,655
		-	576,754	-	774,510	1,351,264

2023	Effective Average Interest Rate Receivable/ Payable %	Floating Interest Rate \$	Fixed Interest Rate 0 – 1 Years \$	Fixed Interest Rate 1 – 5 Years \$	Non-Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	0.002%	211,833	-	-	-	211,833
Trade and other receivables		-	-	-	32,780	32,780
		211,833	-	-	32,780	244,613
Financial Liabilities						
Trade and sundry payables	7.10%	-	32,538	-	692,763	725,301
Lease liabilities	6.0%	-	27,182	7,470	-	34,652
		-	59,720	7,470	692,763	759,953

Notes to the Financial Statements

Cortical Dynamics Limited

19. Financial Instruments (continued)

(b) Financial Instruments (continued)

ii. Fair Values

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2024 (\$)		2023 (\$)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Trade and other receivables	30,055	30,055	32,780	32,780
	30,055	30,055	32,780	32,780
Financial Liabilities				
Trade and other payables	808,879	808,879	725,301	725,301
Borrowings	531,730	531,730	-	-
Lease liabilities	10,655	10,655	34,652	34,652
	1,351,264	1,351,264	759,953	759,953

iii. Foreign Exchange Risk

The A\$ / US\$ exchange rate was 0.67 at 30 June 2024 and 0.66 for the year ending 30 June 2024. The Company's exposure to foreign exchange risk at balance date was as follows, based on carrying amounts in A\$:

2024	A\$	US\$	Total \$
Cash and cash equivalents	28,602	1	28,603
Trade and other receivables	30,055	-	30,055
Trade and other payables	(788,487)	(20,392)	(808,879)
Balance at 30 June	(729,830)	(20,391)	(750,221)
2023			
Cash and cash equivalents	211,362	471	211,833
Trade and other receivables	32,780	-	32,780
Trade and other payables	(699,190)	(26,111)	(725,301)
Balance at 30 June	(455,048)	(25,640)	(480,688)

Notes to the Financial Statements

Cortical Dynamics Limited

19. Financial Instruments (continued)

(b) Financial Instruments (continued)

iv. Sensitivity Analysis

Interest Rate Risk

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

	Company	
	2024	2023
Change in loss		
— Increase in interest rate by 1%	5,260	1,446
— Decrease in interest rate by 0.5%	(2,492)	(332)

v. Liquidity risk

Liquidity is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The following are the contractual maturities at the end of the reporting period of financial liabilities.

	Contractual cash flows				
	(\$)				
30 June 2024	Carrying amount	Total	2 mths or less	3 mths to 1 year	➤ 1 year
Trade and other payables	809,179	809,179	103,023	706,156	-
Lease liabilities	10,655	10,655	7,086	3,569	-
Borrowings	531,730	531,730	-	531,730	-
	1,351,564	1,351,564	110,109	1,241,455	-
30 June 2023	Carrying amount	Total	2 mths or less	3 mths to 1 year	➤ 1 year
Trade and other payables	725,301	725,301	173,346	551,955	-
Lease liabilities	34,652	34,652	4,686	22,496	7,470
	759,953	759,953	178,032	574,451	7,470

20. Capital Commitments

There were no capital commitments at 30 June 2024 or 30 June 2023.

Notes to the Financial Statements

Cortical Dynamics Limited

21. Subsequent Events

Subsequent to year end the Company has raised a further \$50,000 from the issue of 200,000 shares at \$0.25 per share, and 7,000,000 share options with an exercise price of \$0.20 each expired unexercised.

Other than the above, there have not been any matters or circumstance that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

22. Contingent Liabilities

There were no contingent liabilities at 30 June 2024 or 30 June 2023.

23. Related Party Transactions

(a) Key Management Personnel Remuneration

Details of key management personnel remuneration and retirement benefits are disclosed in Note 6 to the financial statements. Trade and other payables at 30 June 2024 include \$678,833 in accrued directors' fees (2023: \$526,833).

(b) Related entities

During the year the Company incurred \$120,000 (2023: \$120,000) in management and service fees to Grandbridge Limited, a company of which Mr Breeze is Managing Director.

A family member of director Mr Zimpel was employed by the Company starting in the prior reporting period. His earnings (including superannuation) for the period were \$94,350 (2023: \$20,611).

Director Ashley Zimpel was issued 500,000 fully paid ordinary shares during the period as part of remuneration at a nominal issue price of \$0.20 per share for an expense of \$100,000.

The Company borrowed \$705,000 (2023: Nil) and repaid \$205,000 (2023: \$Nil) from a related party and incurred related loan interest and establishment fees of \$31,730 (2023: \$Nil).

Notes to the Financial Statements

Cortical Dynamics Limited

24. Share-Based Payments

The following share-based payment arrangements (share options) existed at 30 June 2024:

Total number	Grant Date	Exercise price	Fair value per option at grant date	Expiry date
7,000,000	4/10/2019	\$0.20	\$0.331	24/8/2024
10,500,000	14/5/2020	\$0.15	\$0.032 ²	15/5/2025 ¹
250,000	21/6/2020	\$0.20	\$0.0467	21/6/2025
7,500,000	18/11/2020	\$0.25	\$0.0400	18/11/2025
250,000	19/01/2021	\$0.25	\$0.0392	22/11/2025
<u>25,500,000</u>				

¹ These options originally expired on 15 May 2023 but their term was extended to 15 May 2025 during the prior year

² This is the fair value per option at the date of grant extension, the fair value at the original grant date was \$0.0012 per option.

A total of 1,150,000 fully paid ordinary shares were issued to staff and directors during the period as part of remuneration at a nominal issue price of \$0.20 per share for an expense of \$230,000.

All options granted are to purchase ordinary shares in Cortical Dynamics Limited, which confer a right of one ordinary share for every option held. The fair value of the options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The movement in share options on issue during the year is as follows:

	Number of options	Weighted average exercise price per share
Outstanding at the beginning of the year	25,500,000	0.19
Outstanding at year-end	25,500,000	0.19
Exercisable at year-end	25,500,000	0.19

Consolidated Entity Disclosure Statement

Cortical Dynamics Limited

As the Company is not required by Australian Accounting Standards to prepare consolidated financial statements, it is not required to present a consolidated entity disclosure statement.

Directors' Declaration

Cortical Dynamics Limited

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 35, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2024 and of the performance for the year ended on that date of the Company;
2. the Financial Statements and Notes comply with International Financial Reporting Standards as disclosed in Note 1;
3. The Consolidated Entity Disclosure Statement is true and correct.
4. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the Corporations Act 2001.

Director



.....

David Breeze

Director

Dated this 16th October 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Cortical Dynamics Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Cortical Dynamics Limited ("the Company") which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We 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 a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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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:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (b) the consolidated entity disclosure statement that is true and correct and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
16 October 2024



D B Healy
Partner