

## ASX ANNOUNCEMENT

ASX: 1AI | 28 January 2026

# DECEMBER 2025 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

## Reporting Highlights

- **Commercial Milestone:** Signed distribution agreement with Dr. Reddy's Laboratories for Capecitabine 500mg tablets; first shipment received in January 2026 (subsequent to quarter end), advancing pathway to oncology revenue.
- **AI Platform Upgrade:** Launched AlgoraeOS v2 (AOS2), a major enhancement introducing confidence-weighted predictions for risk-aware experimental design.
- **Benchmark Leadership:** AOS2 outperformed representative state-of-the-art models (including Google DeepMind's TxGemma-27B-Predict and Tx-LLM) across key synergy metrics (ZIP, Bliss, HSA, Loewe) in published benchmarks.
- **Independent Validation:** Completed preclinical validation of AlgoraeOS v1 at the Victorian Centre for Functional Genomics (Peter MacCallum Cancer Centre), generating ~10,000 data points across 84 CBD–drug–cell line combinations and confirming predictive power for synergistic pairs.
- **Prediction Scale & Pipeline:** Received AOS2 in silico predictions covering >500,000 CBD–drug–cell line combinations; preliminary triage identified 90 high-quality priority candidates for further evaluation and follow-on validation.
- **Non-Dilutive Funding:** Received \$384,466.78 cash refund under the R&D Tax Incentive, strengthening the balance sheet for AI development and commercial programs.
- **\$3.0 million debt facility with ScotPac:** Secured a \$3M facility to accelerate AlgoraeRx's commercial scaling, supporting inventory funding and execution of supply opportunities across ANZ (subsequent to quarter end).

AI-enabled pharmaceutical development company **Algorae Pharmaceuticals Ltd (ASX: 1AI)** ("Algorae" or "the Company") is pleased to provide shareholders with an update on activities for the quarter ended 31 December 2025, reflecting strong progress across its dual-track strategy of AI-enabled drug discovery and pharmaceutical commercialisation.

## Quarter in Review

During the quarter, Algorae accelerated its commercial pharmaceutical strategy, advancing supply and distribution partnerships to expand the Company's portfolio in Australia and New Zealand. The appointment of Mr David Gulland as Chief Operating Officer (commencing 23 March 2026), with his extensive experience scaling \$500 million pharmaceutical operations, further strengthened the team's capacity for commercial execution.

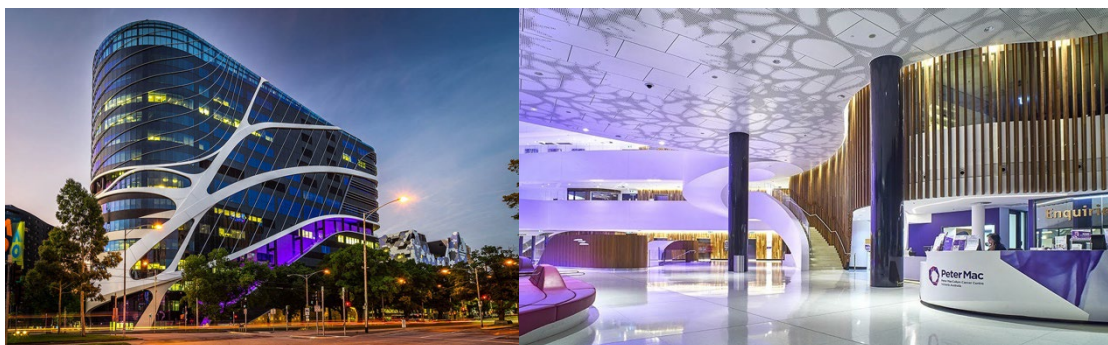
Key R&D milestones included the launch of AlgoraeOS v2, completion of independent validation for v1 at the Peter MacCallum Cancer Centre, receipt of comprehensive in silico predictions identifying 90 priority candidates, and the \$384,466.78 R&D Tax Incentive refund.

## Artificial Intelligence and R&D Activities

During the quarter, Algorae reported the completion of independent preclinical validation of AlgoraeOS v1 ("AOS1") by the Victorian Centre for Functional Genomics ("VCFG") at the **Peter MacCallum Cancer Centre** (pictured below) (announced 5 December 2025).

The program tested 21 AOS1-predicted drugs in combination with CBD across four established cancer cell lines (T98G, BT20, PANC1, and 22Rv1), generating approximately 10,000 data points over 84 CBD-drug-cell line combinations. These included both AI-predicted "synergistic" and "non-synergistic" pairs.

Collectively, these results provided clear preclinical support for the use of AlgoraeOS as a tool to prioritise drug combinations that are more likely to show true biological synergy.



The Company also announced the launch of **AlgoraeOS Version 2** ("AOS2") on 10 November 2025, a major upgrade to its AI drug discovery platform. Trained on over 5.5 million unique inhibition records, AOS2 incorporates full dose-response surfaces and delivers confidence-weighted predictions across key synergy metrics (ZIP, Bliss, HSA, and Loewe). In published benchmarks, AOS2 outperformed representative state-of-the-art models, including Google DeepMind's TxGemma-27B-Predict and Tx-LLM (M).

On the launch of AOS2, **A/Prof Fatemeh Vafaei** from UNSW Sydney and the UNSW AI Institute commented:

*"AlgoraeOS represents a new generation of AI models that not only predict outcomes but also understand their own limits. By combining biological knowledge with uncertainty-aware deep learning, we can now model drug interactions with greater reliability and generalisability than ever before."*

Building on this foundation, Algorae confirmed receipt of the comprehensive AOS2 in silico prediction set, covering CBD combinations with more than 3,000 approved and investigational drugs across 170 cell lines (>500,000 CBD-drug-cell line combinations in aggregate).

Following preliminary analysis using pre-specified prioritisation thresholds (balancing predicted synergy magnitude, uncertainty reduction, and biological generalisability), the Company identified **90 priority candidates for further evaluation** and commenced discussions with the

Peter MacCallum Cancer Centre for a second independent validation program to test AOS2 results (announced 12 December 2025).

## Commercial Pharmaceutical Business

During the quarter, Algorae advanced execution of its commercial pharmaceutical strategy through its wholly owned subsidiary, AlgoraeRx Pty Ltd.

A key development was the entry into a distribution agreement with global pharmaceutical leader **Dr. Reddy's Laboratories Ltd** (announced 27 November 2025) to supply the chemotherapy medicine Capecitabine (500mg tablets) into the Australian market. The first shipment was received in January 2026 (subsequent to quarter end). This partnership expands Algorae's oncology commercial footprint and provides a clear pathway to near-term revenue generation, complementing the Company's ongoing focus on high-quality generics in Australia.

Progress also continued on the binding term sheet with **Cadila Pharmaceuticals Limited** (announced 20 October 2025), one of India's largest privately held pharmaceutical companies. The proposed licence and supply agreement covers the launch of two generic medicines in Australia and New Zealand, targeting cardiovascular and metabolic disorders.

The parties are working toward finalisation of a definitive License and Supply Agreement ("LSA"), following which Algorae intends to commence Therapeutic Goods Administration ("TGA") registration planning and documentation to enable product commercialisation. Further updates on timelines and anticipated revenue contributions will be provided to shareholders as these steps progress.

These developments build on the Company's earlier commercial foundation, including the exclusive licensing agreement with **Sakar Healthcare Ltd** for five oncology generics across Australia and New Zealand (announced 23 September 2025). Algorae continues to advance additional commercial and partnership initiatives and will update shareholders as these opportunities develop.

Subsequent to quarter end, Algorae secured a **A\$3.0 million** receivables-based working capital facility with **ScotPac Business Finance**, a leading Australian lender specialising in invoice and working capital finance. This funding strengthens Algorae's ability to expand its revenue-generating commercial operations by enabling faster deployment of capital into inventory, supply execution and scaling customer demand across Australia and New Zealand. The facility is revolving and self-liquidating, enabling the Company to draw down and repay funds flexibly as needed, with interest applying only to funds utilised.

## Corporate Developments

### Loyalty Options Offer

During the quarter, Algorae announced a non-renounceable pro-rata Loyalty Options Offer to eligible shareholders (announced 17 November 2025), providing up to 337,678,946 new options (subject to fractional rounding) on the basis of one (1) new option for every five (5) shares held.

The options were issued at \$0.001 per option, with an exercise price of \$0.014 and expiry date of 1 December 2029. The options are unquoted on the ASX.

The Offer closed at 5:00 pm (AEDT) on 15 December 2025. The Company received applications for 199,013,513 Loyalty Options, raising approximately \$199,014 (before costs). The Loyalty Options were issued on 22 December 2025.

The remaining 138,737,943 options form the shortfall, available under the Shortfall Offer. Allocation of the shortfall will occur at the discretion of the Company, in consultation with the Lead Manager, and is expected to be completed within three months of the Closing Date, subject to compliance with applicable regulatory requirements.

Proceeds from the Offer (including any shortfall placement) are intended to support ongoing AI-driven drug discovery programs, commercial initiatives and general working capital.

### Executive Recruitment

On 16 October 2025, Algorae announced the appointment of **Mr David Gulland** as Chief Operating Officer ("COO"). Mr Gulland will commence with the Company on 23 March 2026 to lead operational and commercial scale-up initiatives.

Mr Gulland brings more than 20 years of experience in private healthcare funding, pharmacy services, and pharmaceutical operations. He joins from HPS Pharmacies, a division of EBOS Group Ltd (ASX: EBO), where he served as General Manager of a \$500 million national franchise servicing hospitals and institutional healthcare centres across Australia.

In this role, he successfully led enterprise-wide initiatives in digital transformation, supply chain optimisation, organisational restructuring, and pioneered Australia's first private healthcare in-home funding model, demonstrating a strong track record in innovation, operational efficiency, and market expansion.

Mr Gulland holds a Master's Degree in Pharmacy from The University of Western Australia and a Diploma in Business Management.

He will join **Mr Vishal Shah**, who was appointed Chief Commercial Officer in April 2025. Together, they bring over 40 years of combined senior leadership experience across pharmaceuticals, biotechnology, and healthcare distribution. This strengthened commercial leadership team enhances Algorae's ability to execute strategic partnerships, scale operations, and drive revenue growth in Australia and New Zealand.

### Financial Overview

As at 31 December 2025, Algorae held cash reserves of \$1.83 million, compared with \$1.92 million at 30 September 2025.

Net cash used in operating activities for the quarter was approximately \$221,793, primarily driven by continued investment in AlgoraeOS platform development, pre-clinical R&D activities, and initial commercial setup costs associated with emerging revenue partnerships.

R&D expenditure for the quarter totalled \$232,212. The Company expects this expenditure to be eligible for the FY2025/26 Research & Development Tax Incentive ("RDTI"), subject to standard eligibility requirements and ATO review.

During the quarter, Algorae received \$384,467 under the RDTI from the Australian Taxation Office. This non-dilutive funding strengthens the balance sheet and supports ongoing R&D, platform enhancements, and progression of the commercial pipeline.

Also during the quarter, the non-renounceable pro-rata Loyalty Options Offer closed on 15 December 2025, raising \$199,014 (before costs) from entitlements through applications for 199,013,513 Loyalty Options. The remaining shortfall of 138,737,943 options is available for placement by the Company, with potential additional proceeds of up to approximately \$138,738 (subject to final allocation, settlement, and market conditions) expected within three months of the offer close.

Payments to directors and related parties during the quarter amounted to \$86,600, consistent with prior quarters and in line with the Company's governance framework and Appendix 4C reporting.

Algorae continues to manage its capital base prudently, prioritising expenditure toward programs designed to create long-term shareholder value, such as further development of AlgoraeOS and expansion of the commercial pharmaceutical pipeline. The Company maintains eligibility for R&D rebates and is exploring additional non-dilutive funding opportunities as commercial revenues begin to emerge.

**This announcement has been approved by the Board of Directors.**

**END.**

#### **Corporate and Media Enquiries**

Mr David Hainsworth

Executive Chairman

E: [inquiries@algoraepharma.com](mailto:inquiries@algoraepharma.com)

#### **About Algorae Pharmaceuticals**

Algorae Pharmaceuticals Ltd (ASX: 1AI) is an AI-enabled pharmaceutical company with a dual focus on drug-combination discovery and pharmaceutical commercialisation. The Company's proprietary AI platform, AlgoraeOS, applies artificial intelligence to identify synergistic drug combinations and inform preclinical experimental design.

In parallel, Algorae operates a commercialisation business, AlgoraeRx, which sources, licenses and supplies generic and specialty medicines in Australia and New Zealand through manufacturing partners and established distribution channels. Algorae collaborates with research institutions and industry partners to translate AI-predicted therapies and expand patient access to high-quality medicines.

For more information visit [www.algoraepharma.com](http://www.algoraepharma.com) or follow @algoraepharma on X or LinkedIn.

#### Forward-looking Statements

This document may contain certain forward-looking statements, relating to Algorae's business, which can be identified by the use of forward-looking terminology such as "promising," "probable", "plans," "anticipated," "will," "project," "believe," "forecast," "expected," "estimated," "targeting," "aiming," "set to," "potential," "seeking to," "goal," "could provide," "intends," "is being developed," "could be," "on track," or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other health authorities' requirements regarding any one or more product candidates, nor can there be any assurance that such product candidates will be approved by any health authorities for sale in any market or that they will reach any particular level of sales.

In particular, management's expectations regarding the approval and commercialisation of the product candidates could be affected by, among other things, unexpected clinical trial results, including additional analysis of existing clinical data, and new clinical data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Algorae is providing this information and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Algorae Pharmaceuticals Limited

**ABN**

14 104 028 042

**Quarter ended ("current quarter")**

31 December 2025

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A</b>	<b>Year to date (12 months) \$A</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(232,212)	(310,235)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(172,096)	(334,398)
(f) administration and corporate costs	(218,903)	(392,934)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16,951	36,350
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	384,467	384,467
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(221,793)</b>	<b>(616,750)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	199,014	199,014
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	4,392	4,392
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(20,818)	(20,818)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>182,588</b>	<b>182,588</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,922,594	2,319,222
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(221,793)	(616,750)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-



Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	182,588	182,588
4.5	Effect of movement in exchange rates on cash held	(215)	(1,886)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,883,174</b>	<b>1,883,174</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	1,133,174	72,594
5.2	Call deposits	750,000	1,850,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,833,174</b>	<b>1,922,594</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	86,600
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Directors' salary and fee.</p>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</b>
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(221,793)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,883,174
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,883,174
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	8.5
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2026.....

Authorised by: By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.