Algorae Pharmaceuticals Limited

ABN: 104 028 042

Appendix 4E full year ended 30 June 2026

(Previous corresponding period:
year ended 30 June 2025)

Results for Announcement to Market

	2026 $	2025 $
Services revenue	-	-
Total other income	77,667	141,050
Total revenue and other income	77,667	141,050
Profit/(loss) before income tax expense	(3,095,190)	(1,540,136)
Income tax benefit	384,467	737,178
Reported net profit/(loss) after tax attributable to members of the parent entity	(2,710,723)	(802,958)

Reported

- Total revenue and other income decreased 45% to $77,667.
- Loss before income tax expense has increased by 101% to $(3,095,190).
- Net loss after tax for the year attributable to members of Algorae Pharmaceuticals Limited has increased by 238% to $(2,710,723).

Dividends

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

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

Explanation of results

The 101% increase in loss before income tax expense and 238% increase in net loss after tax was principally due to the increase of operating expenses, together with higher share-based payments and decrease of R&D tax refund. The increase of operating expenses was mainly contributed by commercial pharmaceuticals operations run through a subsidiary company.

Please refer to the attached financial report.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Consolidated Financial Report and media release.

Additional Information

Net Tangible Asset

	30 June 2026	30 June 2025
Net tangible per ordinary share	0.24 cents per share	0.13 cents per share

Changes in controlled entities

Controlled entities include a new entity, Algorae Sciences Pty Ltd, as disclosed in the attached Consolidated Financial Report.

There were no loss of control over entities.

Foreign entities

Detail of origin of accounting standards used in compiling the report:

All Group entities comply with International Financial Reporting Standards (“IFRS”).

Nomination of directors

The next Annual General Meeting of the Company is scheduled to be held at 11:00am (AEST) on Thursday, 5 November 2026.

The closing date for the receipt of nominations from persons wishing to be considered for election as director is 16 September 2026. Any nominations must be received in writing no later than 5:00pm (AEST) on 16 September 2026 at the Company’s registered office.

Audit qualification or review

The financial statements have been audited and unmodified opinion has been issued.

Attachment

The financial statements of Algorae Pharmaceuticals Limited for the year ended 30 June 2026 is attached.

As authorised by the Board of Directors

David Hainsworth
Director
31 August 2026

ALGORAE PHARMACEUTICALS

Annual Report 2026

For the year ended 30 June 2026

ASX:1AI

Contents

The directors present their report, together with the financial statements of Algorae Pharmaceuticals Limited ('1AI', 'Algorae', the 'Company') and its controlled entities (the 'Group'), for the financial year ended 30 June 2026.

Directors have been in office since the start of the financial year until the date of this report unless otherwise stated.

1. General information

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

David Hainsworth	Director from 31 October 2022, Executive Chairman
Qualifications	Bachelor of Science
Experience	David Hainsworth has more than 25 years' experience in capital markets, having spent his career as an investment advisor at Euroz Hartleys Ltd (ASX: EZL), a publicly listed wealth management firm, and most recently at Alignment Capital Pty Ltd, a boutique corporate advisory firm. He now serves full-time as Executive Chairman of Algorae Pharmaceuticals Ltd. Mr Hainsworth's expertise spans corporate finance and capital raising, including the origination and execution of capital markets transactions in high-growth sectors, with a strong emphasis on early-stage ventures in the biotechnology and life sciences industries.
Special responsibilities	Mr Hainsworth was appointed to the board on 31 October 2022.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

David Gulland	Non-executive director from 10 March 2026
Qualifications	Masters of Pharmacy and Bachelor of Science
Experience	Former General Manager HPS, a part of EBOS Group (ASX: EBO) — one of Australia and New Zealand's largest healthcare distribution businesses. David Gulland brings more than 20 years' experience in pharmacy services and hospital medicines supply, including direct responsibility for scaling pharmaceutical supply at institutional levels across the ANZ market. His experience in operational infrastructure for supplying medicines to Australian hospitals and healthcare networks at scale is the foundation of AlgoraeRx's commercial execution.
Special responsibilities	Mr Gulland was appointed to the board on 10 March 2026.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

Troy Valentine	Non-executive director from 14 July 2026
Qualifications	Bachelor of Commerce

Experience	Troy Valentine has served as the Chairman of the Board of Directors of Incannex Healthcare Inc. (Nasdaq: IXHL) since November 2023 and was Chairman of the Board for Incannex Australia from December 2017 to November 2023. With over 27 years of experience in finance, managerial, and board roles, Troy began his career at Hartley Poynton (now Euroz Hartleys Limited) in 1994 before moving to Patersons Securities (now Canaccord Genuity) in 2000, where he became an Associate Director. He is also a director and co-founder of Alignment Capital Pty Ltd, a boutique corporate advisory firm established in 2014.
Special responsibilities	Mr Valentine was appointed to the board on 14 July 2026.
Other directorships in listed entities held in the previous three years	Non-executive Chairman of Incannex Healthcare Inc. (Nasdaq: IXHL).

Bradley Dilkes	Non-executive director from 31 October 2022 until 14 July 2026
Qualifications	Bachelor of Commerce
Experience	Bradley Dilkes has more than 15 years' experience working in the investment and corporate advisory sectors within the context of emerging companies. Previously he was an associate director of boutique corporate advisory firm Alignment Capital Pty Ltd for 8 years, providing corporate services to high-growth companies listed, or seeking to list, on the ASX, and an investment advisor at a micro-cap focused investment bank in Melbourne.
Special responsibilities	Mr Dilkes was appointed to the board on 31 October 2022 and resigned effective 14 July 2026.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

Bradley Latham	Non-executive director from 3 July 2023 until 10 March 2026
Qualifications	Master of Management (UNSW)
Experience	Mr Bradley Latham is an accomplished and energetic businessperson with strong commercial acumen and extensive business experience. The majority of Mr Latham's working career has been with Sydney Markets where he has worked his way through the ranks until appointed CEO of the group in 2006. Mr Latham has a proven track record of business leadership and has a strong understanding of good corporate governance and risk management. He possesses an ability to identify and assess strategic growth opportunities.
Special responsibilities	Mr Latham was appointed to the board on 3 July 2023 and resigned effective 10 March 2026.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

Directors' report
30 June 2026

Principal activities and significant changes in nature of activities

Algorae Pharmaceuticals Limited is an AI-enabled pharmaceutical company operating a synergistic dual-track business comprising AI-driven drug discovery and pharmaceutical commercialisation.

The Group's discovery activities are built around AlgoraeOS, its proprietary artificial intelligence (AI) drug-combination prediction platform, developed in collaboration with the UNSW AI Institute with support from CSIRO Data61, together with a therapeutic pipeline comprising AI-116 for dementia and AI-168 for cardiovascular disease.

The Group's commercial activities are conducted through its wholly owned subsidiary, AlgoraeRx Pty Ltd, which sources, licenses, registers and supplies generic and specialty medicines in Australia and New Zealand through partnered manufacturers and established distribution channels.

During the financial year the Group expanded the nature of its principal activities, extending beyond research and development into pharmaceutical commercialisation. The Group executed licensing, supply and distribution agreements with five international pharmaceutical manufacturers, established a commercial leadership team, and lodged its first product registration dossier with the Therapeutic Goods Administration ('TGA'). No product revenue was recognised during the year. Further detail on these activities is set out in the Operating and Financial Review.

2. Operating and financial review

Operations

The 2026 financial year was a year of transition for Algorae Pharmaceuticals Limited. The Group moved from a single-track research and development business to a dual-track business combining AI-enabled drug-combination discovery with pharmaceutical commercialisation in Australia and New Zealand.

Commercial activities are conducted through the Company's wholly owned subsidiary, AlgoraeRx Pty Ltd, which sources, licenses and supplies generic and specialty medicines through partnered manufacturers and established distribution channels. Research and development activities continue to be conducted around AlgoraeOS, the Company's proprietary artificial intelligence ('AI') drug-combination discovery platform, developed in collaboration with the UNSW AI Institute with support from CSIRO Data61.

During the year the Group executed five commercial agreements with international pharmaceutical manufacturers, lodged its first product registration dossier with the Therapeutic Goods Administration ('TGA'), released version 2 of AlgoraeOS, and obtained the first independent preclinical validation of the platform's predictions. No product revenue was recognised during the year; the Group's commercial portfolio remains subject to regulatory approval and launch readiness.

Commercial pharmaceutical operations – AlgoraeRx

Through AlgoraeRx, the Group has established a multi-partner, multi-therapy commercial platform spanning oncology, cardiovascular, metabolic and specialty medicines, targeting hospitals, pharmacies and institutional customers across Australia and New Zealand.

Sakar Healthcare Limited – exclusive licence agreement

On 23 September 2025, Algorae entered into an exclusive licensing agreement with Sakar Healthcare Limited (NSE: SAKAR, BSE: 538377) to launch five generic oncology medicines into the Australian and New Zealand markets. The agreement was the Group's first commercial transaction and the foundation of its Australian and New Zealand commercial presence.

Cadila Pharmaceuticals Limited – licence and supply agreement

On 20 October 2025, Algorae executed a binding term sheet with Cadila Pharmaceuticals Limited, one of India's largest privately held pharmaceutical companies, for the proposed commercialisation of two generic medicines targeting cardiovascular and metabolic disorders in Australia and New Zealand. The definitive Licence & Supply Agreement was executed on 9 February 2026. Under the agreement, Cadila is responsible for product development and manufacture, while Algorae, through AlgoraeRx, holds TGA sponsorship, manages regulatory submissions and oversees market access and commercialisation across the region. TGA registration planning and documentation commenced following execution.

Dr. Reddy's Laboratories Ltd – distribution agreement

On 27 November 2025, Algorae entered into a distribution agreement with Dr Reddy's Laboratories Ltd (NSE: DRREDDY, NYSE: RDY) to supply the chemotherapy medicine Capecitabine 500mg tablets into the Australian market. The first shipment was received in January 2026.

Zydus Lifesciences Ltd – exclusive commercial and licensing agreement

On 28 April 2026, Algorae entered into an exclusive commercial and licensing agreement with Zydus Lifesciences Ltd (NSE: ZYDUSLIFE; BSE: 532321) covering 10 injectable, oral and specialty pharmaceutical products for the Australian and New Zealand markets. Product prioritisation is undertaken jointly by the parties having regard to regulatory pathways, supply readiness and market access considerations. Commercialisation of each product remains subject to TGA and other applicable regulatory approvals.

Torrent Pharmaceuticals Limited – licence and supply agreement

On 6 May 2026, Algorae executed a Licence & Supply Agreement with Torrent Pharmaceuticals Limited (NSE: TORNTPHARM, BSE: 500420) for the commercialisation of two generic prescription molecules in Australia and New Zealand under a phased approach. Phase 1 targets products supported by existing registrations, including cloned registrations where applicable, to support earlier market entry; Phase 2 targets products requiring new TGA registrations. The agreement establishes a framework under which additional molecules from Torrent's portfolio may be added by mutual agreement. Torrent is responsible for product development and GMP-compliant manufacturing, and AlgoraeRx is expected to lead market access, pricing, reimbursement, sales and distribution activities across the region. Commercial terms of the agreement are confidential.

Regulatory progress

On 2 April 2026, the TGA accepted the Company's initial product registration dossier for evaluation. Acceptance confirms that the application met the TGA's preliminary assessment requirements and that it will progress through formal evaluation. Acceptance is an early step in the regulatory review process and does not indicate the outcome of the evaluation. The product is the first of multiple planned registration submissions across the Group's portfolio.

Commercial leadership

The commercial team was expanded during the year to support in-market execution. Mr David Gulland, formerly General Manager of HPS Pharmacies (a division of EBOS Group Ltd, ASX: EBO), was appointed Chief Operating Officer of AlgoraeRx effective 23 March 2026. Mr Waleed Elsayed, previously Head of Hospital Sales at Sandoz Australia & New Zealand, was appointed Head of Sales in March 2026, commencing in the second quarter of 2026. In March 2026, members of the commercial team travelled to Ahmedabad, India to advance existing manufacturing partner relationships and to engage with prospective partners.

Events subsequent to year end

On 1 July 2026, the Company announced that it had been awarded a public hospital supply contract with NSW Health following a competitive tender process, for an initial term of three years with two optional one-year extensions (3+1+1 years). Onboarding and rollout are underway, with first supply expected in the fourth quarter of the 2026 calendar year. The terms of the agreement, including scope, pricing and volumes, are confidential and the financial impact of the award cannot be quantified at this time.

On 14 July 2026, the Company appointed Mr Troy Valentine as a non-executive director, with Mr Brad Dilkes resigning effective 14 July 2026.

Refer also to 'Events after the reporting date'.

Artificial intelligence and research and development

Launch of AlgoraeOS version 2

On 10 November 2025, Algorae launched AlgoraeOS version 2 ('AOS2'), a major upgrade to the Company's AI platform for drug-combination discovery, developed with researchers at the UNSW Biomedical AI Laboratory and the UNSW AI Institute and with support from CSIRO Data61. Key features of AOS2 include:

- training on over 5.5 million unique inhibition records (approximately 11 million with augmentation) drawn from harmonised high-throughput combination screens;
- modelling of the full dose–response surface for each drug pair and cell context, with simultaneous prediction of the four standard synergy measures (Bliss, Loewe, HSA and ZIP) in a single unified model;
- confidence-weighted outputs quantifying both data-driven (aleatoric) and model-driven (epistemic) uncertainty, enabling risk-aware experimental design; and
- robust generalisation beyond the training data, supported by zero-shot validation on previously unseen drug combinations.

In published benchmarks, AOS2 outperformed representative state-of-the-art models, including Google DeepMind's TxGemma-27B-Predict and Tx-LLM (M). On the NCI-ALMANAC benchmark (70/10/20 split), AOS2 achieved a ZIP mean absolute error ('MAE') of 2.89 and a Loewe MAE of 6.46, compared with 3.78 and 17.38 for Tx-LLM (M) and 3.81 and 17.34 for TxGemma-27B-Predict. The underlying methodology has been submitted for publication as "*Uncertainty-Aware Deep Learning for Multi-Metric and Dose-Specific Prediction of Drug Synergy*".

Independent validation at the Peter MacCallum Cancer Centre

On 5 December 2025, Algorae reported the results of the first independent preclinical validation of AlgoraeOS version 1 ('AOS1'), undertaken by the Victorian Centre for Functional Genomics ('VCFG') at the Peter MacCallum Cancer Centre ('PMCC') under the supervision of Professor Kaylene Simpson and the Company's Chief Scientific Officer, Dr James McKenna.

AOS1 was used to select 21 drugs predicted to have synergy in combination with cannabidiol ('CBD'), with an additional three drugs added for investigational purposes. The program performed 96 preclinical assessments of drug combination synergy comprising 24 CBD–drug combinations across four established cancer cell lines (T98G, BT20, PANC1 and 22Rv1), producing approximately 10,000 data points using high-throughput microscopy. Each combination was analysed against four recognised models of drug interaction.

Using predefined internal thresholds, AOS1 demonstrated predictive power by identifying a subset of combinations that were experimentally confirmed as synergistic and by excluding most combinations that were non-synergistic in this setting. A correlation was observed with three of the four synergy models, which were closely aligned; the fourth showed weaker correlation and some outlying values, consistent with its known sensitivity to assumptions about dose–response relationships. The directors regard this program as an important technical de-risking milestone for the platform, being the first independent evidence that AlgoraeOS can prioritise drug combinations for laboratory investigation.

AOS2 prediction sets and candidate pipeline

On 12 December 2025, the Company received the comprehensive in silico synergy predictions generated by AOS2 for its first single-anchor program. The prediction set comprised CBD in combination with more than 3,000 approved and investigational drugs, evaluated across 170 cell lines, representing in aggregate more than 500,000 potential CBD–drug–cell line combinations. Applying pre-specified prioritisation thresholds balancing the magnitude of predicted synergy against uncertainty reduction and biological generalisability, the Company identified 90 potential high-quality drug combination candidates.

On 18 May 2026, Algorae completed the prediction-generation phase of a multi-anchor program that extended AOS2 from a single anchor to 18 additional anchor drugs, selected to span a diverse range of therapeutic areas and mechanisms of action. The program generated more than 9 million in silico synergy predictions across drug–drug–cell line combinations. Preliminary filtering identified more than 478,000 individual synergy predictions passing initial synergy and uncertainty thresholds, and over 6,000 drug combinations demonstrating predicted synergy across multiple cell lines. Structured curation of this prediction set, incorporating the strength and consistency of predicted synergy, biological robustness, novelty relative to existing empirical data, and commercial and intellectual property relevance, was underway at year end.

Second Peter MacCallum Cancer Centre validation program

On 30 March 2026, Algorae entered into an agreement with the VCFG at Peter MacCallum Cancer Centre for a second program to independently validate AOS2 predictions. Following analysis of commercial and intellectual property considerations, 24 high-priority drug combination candidates were selected from the December 2025 AOS2 prediction set. The candidates are being screened for synergy across four distinct cancer cell lines representing glioblastoma, rhabdomyosarcoma, melanoma and chronic myelogenous leukaemia. Data analysis is completed within three weeks of each screen run, with the full dataset expected within six months of commencement. The program was underway at 30 June 2026.

Sovereign AI Infrastructure initiative

On 29 June 2026, Algorae was named a foundation participant, and the healthcare and life sciences launch partner, in the Sovereign AI Infrastructure (‘SAII’) initiative led by AgenticScale.ai and built on NVIDIA-accelerated technology, which was formally launched in Melbourne on 26 June 2026. SAII is being developed to provide secure, sovereign environments in which organisations can build, test, validate and deploy advanced AI systems. The Company intends to apply this infrastructure across its drug discovery and development programs. Separately, Algorae has engaged AgenticScale.ai under a staged program of work to develop AI and automation capabilities across both its drug discovery and commercial pharmaceutical operations.

Therapeutic pipeline

The Group’s named preclinical drug candidates comprise AI-116, a fixed-dose combination of Donepezil and cannabidiol for dementia; AI-168, a fixed-dose combination of a beta blocker and cannabidiol for cardiovascular disease, developed in collaboration with the Victorian Heart Institute at Monash University; and NTCELL for Parkinson’s disease.

International patent applications under the Patent Cooperation Treaty (‘PCT’) have been filed in respect of AI-116 and AI-168. The Company continued preclinical development activity on AI-116 and AI-168 during the first half of the year; no material new preclinical results were announced for these programs during the year. Each candidate continues to be assessed to determine the most appropriate development pathway, having regard to therapeutic potential, economic viability and patent position, with the review of NTCELL led by the Chief Scientific Officer. The directors will update shareholders as these programs advance.

Corporate

The Company held its Annual General Meeting on 2 October 2025. All resolutions put to the meeting were carried on a poll, including the replacement of the Company’s Constitution. An updated Securities Trading Policy was adopted and released on the same date.

Directors' report
30 June 2026

On 17 November 2025, the Company announced a non-renounceable pro-rata Loyalty Options Offer of one option for every five shares held by eligible shareholders at an issue price of $0.001 per option, each option exercisable at $0.014 and expiring on 1 December 2029. The offer closed on 15 December 2025 with applications received for 199,013,513 Loyalty Options, raising gross proceeds of $199,014 before costs. Loyalty Options not taken up formed the shortfall, which was allocated at the discretion of the Company in consultation with the Lead Manager. On 13 March 2026, the Company issued 138,737,943 options in relation to the shortfall of the Loyalty Options Offer, at an issue price of $0.001 per options, each option exercisable at $0.014 and expiring on 1 December 2029. This Loyalty Options Offer shortfall raised gross proceeds of $138,738 before costs.

On 10 December 2025, the Company received a cash refund of $384,466.78 from the Australian Taxation Office under the Research and Development Tax Incentive ('RDTI') program in respect of eligible R&D activities undertaken during the 2025 financial year.

In January 2026, the Company secured a $3.0 million receivables-based working capital facility with ScotPac Business Finance, commencing 20 January 2026, for an initial term of 24 months. The facility is revolving and self-liquidating, bears interest at BBSY plus 6.70% on drawn amounts only, and is secured against AlgoraeRx's trade receivables and supported by a parent guarantee from the Company. The facility was undrawn at 31 March 2026 and undrawn at 30 June 2026.

The Company's quoted options (ASX: 1AIO), exercisable at $0.012, expired on 31 March 2026. On 2 April 2026, the Company announced that it had raised $3,988,183 before costs, comprising 242,998,655 shares issued on the exercise of listed options between November 2025 and March 2026, and 89,350,001 shortfall placement shares issued to sophisticated, long-term shareholders at $0.012 per share under the Company's placement capacity under ASX Listing Rule 7.1.

Mr David Gulland was appointed as a Non-Executive Director effective 10 March 2026. In light of his concurrent appointment as Chief Operating Officer of AlgoraeRx Pty Ltd, the Board undertook an independence assessment and determined that the appointment be classified as non-independent, and has implemented conflict-management arrangements consistent with the Company's governance framework. Long-serving Non-Executive Director Mr Bradley Latham retired from the Board effective 10 March 2026 and continues to support the Company in a consulting capacity.

On 24 June 2026, PKF Perth was appointed as auditor of the Company following the resignation of PKF Brisbane Audit Pty Ltd and ASIC's consent to that resignation under section 329(5) of the Corporations Act 2001. The change was driven by auditor independence considerations arising from the proposed integration of the outgoing auditor and the Company's provider of company secretarial services into the same entity. A resolution to confirm the appointment will be proposed at the Company's next Annual General Meeting.

Ms Jennifer Voon stepped down as Company Secretary effective 30 June 2026, and Mrs Geraldine Holland and Ms Catherine Earlie were appointed as Joint Company Secretaries effective 1 July 2026.

Financial position

The net assets of the Group have increased from $2,228,796 at 30 June 2025 to $4,261,334 as at 30 June 2026. The increase reflects funds raised during the year, net of the funds applied to progress the Company's research programs, establish its commercial platform and fund general operating activities.

Net cash outflow from operating activities increased from $785,250 in the previous year to $2,603,932 in the current year, reflecting increased research and development activity and the establishment of the Group's commercial pharmaceutical operations. No product revenue was recognised during the year.

These financial statements have been prepared on a going concern basis. The Group incurred a loss after tax attributable to members of the parent entity of $2,710,723 (2025: $802,958) and incurred negative cash flows from operations of $2,603,932 (2025: $785,250).

Directors' report

30 June 2026

As at 30 June 2026 the Group had $3,187,323 cash in bank and $750,000 term deposits, compared to $469,222 cash in bank and $1,850,000 term deposits at 30 June 2025. The Group also has available an undrawn $3.0 million receivables-based working capital facility with ScotPac Business Finance.

The directors prepare a rolling 12-month cash flow forecast and the balance is projected to allow the planned level of operations to continue for at least 12 months from the date of authorisation of this financial report. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available. The directors have a history of raising capital as required to support their research projects and operating expenses.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Business strategies and prospects for future years

Algorae's corporate strategy is to develop transformative therapeutic solutions for significant unmet medical needs in the community, while building a sustainable commercial pharmaceutical business in Australia and New Zealand. The key tenets of this strategy include:

- Retain a dynamic and innovative corporate culture with a focus on emergent themes in pharmaceutical development.
- Increase the pipeline of existing research & development projects to diversify the Company's value-generating activities.
- Build a diversified, multi-partner commercial portfolio of generic and specialty medicines, and progress those products through TGA registration to market.
- Collaborate with industry partners, clinical research organisations and forward-thinking universities;
- Implement a robust intellectual property (IP) strategy to protect the value of competitive positions in assets generated by the Company.
- Ensure the Company is adequately funded for its current and future research, development and commercial activities.

In the 2027 financial year, the Group intends to progress TGA registration submissions across its licensed portfolio, commence supply under its commercial agreements, complete the second independent validation program with the Victorian Centre for Functional Genomics, and finalise the shortlist of candidates arising from the multi-anchor AOS2 prediction set.

Algorae is focused on executing its corporate strategy and creating shareholder value over the long-term by deploying a disciplined approach to the assessment of new opportunities to diversify the Company's pipeline of existing projects. The objective is to create value through the generation of clinically validated intellectual property (IP) and the establishment of a recurring commercial revenue base.

In common with other pharmaceutical companies, there is a risk that these prospects for future years will not be achieved, depending on the outcome of clinical studies, trials, experiments and research projects. The commercial business is additionally dependent on obtaining and maintaining regulatory approvals, on the performance of manufacturing and distribution counterparties, and on securing market access on acceptable terms. The Company endeavours to moderate these risks by diversifying research targets, by contracting with multiple manufacturing partners across multiple therapeutic areas, and by reducing the dependency on the outcome of any single research project or commercial agreement.

Directors' report
30 June 2026

3. Other items

Significant changes in state of affairs

Except as outlined in the Operating and Financial Review there have been no significant changes in the state of affairs of the Group during the year.

Events after the reporting date

On 6 July 2026 the Company issued 2,000,000 shares as conversion of performance rights.

On 21 July 2026 the Company announced cessation of 35,000,000 performance rights due to resignation of director.

No other matters or circumstances have arisen since the end of the financial year, which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia and New Zealand.

Company secretary

Geraldine Holland and Catherine Earlie were appointed as joint company secretaries on 1 July 2026.

Dividends

There was no dividend paid, recommended or declared during the current financial year.

Meetings of directors

During the financial year, 2 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
David Hainsworth	3	3
Bradley Dilkes	3	3
Bradley Latham	3	3

Indemnification and insurance of officers and auditors

During the year, Algorae paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors. The liabilities insured are against legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has not during or since the end of the financial year indemnified or agreed to indemnify the auditor of the Company. Furthermore, the Company has not paid any premiums in respect of insurance for the auditor.

As disclosed in the Appendix 4G and Corporate Governance Statement released to the ASX on 30 August 2024, the Company does not consider its current size to warrant a separately constituted Audit and Risk Committee. The Board believes it is the appropriate body to review and monitor all risks, audit and compliance matters, and to oversee the Company's risk management framework. Accordingly, the responsibilities typically delegated to an Audit and Risk Committee, including oversight of financial and corporate reporting, and the management of operational risks, are undertaken by the full Board.

The Board Charter sets out the processes adopted by the Company to independently verify and safeguard the integrity of its corporate reporting. These processes include the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Options and performance rights

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

Grant date	Date of Expiry	Exercise Price	No. under Option
Unlisted Options			
Loyalty options (22 December 2025 and 13 March 2026)	01-Dec-29	$0.014	335,423,855
Lead manager options (13 March 2026)	01-Dec-29	$0.014	30,000,000
Consultant options (02 April 2026)	01-Dec-29	$0.014	11,000,000
			376,423,855

At the date of this report, the unissued ordinary shares of Algorae Pharmaceuticals Limited under performance rights are as follows:

Grant date	Date of Expiry	Exercise Price	No. under Performance Rights
Directors (02 November 2023, 25 October 2024 and 02 October 2025)	01-Sep-26 26-Oct-27 02-Oct-29 02-Oct-30	nil	75,000,000
Employees (28 July 2025, 05 March 2026 and 13 March 2026)	27-Apr-27 30-Jun-28/29/30 31-Jul-28/29/30	nil	104,000,000
			179,000,000

Non-audit services

The Company's auditor, PKF Perth Audit, did not perform any non-audit services for the Group during the year.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2026 has been received and can be found on page 20 of the financial report.

Remuneration report (audited)

Remuneration policy

The remuneration policy of Algorae Pharmaceuticals Limited is designed to align the objectives of its directors and other key management personnel (collectively, KMP), with those of shareholders and the Company. The Board believes that this policy effectively attracts, retains, and motivates the KMP to achieve the Company's long-term goals, particularly during its current research phase.

Given the Company's current size and resources, a separate Remuneration and Nomination Committee has not been maintained. Instead, the Board itself undertakes the responsibilities typically delegated to such a committee, including the annual review of KMP remuneration packages, ensuring alignment with the Company's performance and industry standards. The Board may seek professional advice from independent external consultants when necessary.

KMP remuneration includes the following elements:

- **Fixed Remuneration:** KMP receive a base salary, determined based on factors such as qualifications, length of service, experience, and market rates. Additionally, statutory contributions to superannuation are provided.

- **Incentive Remuneration:** KMP may be granted shares, performance rights and/or options based on the achievement of predetermined objectives that contribute to the Company's strategies and progress in its research and development activities. These incentives are intended to align the KMP's interests with those of the shareholders.

- **Risk Management:** KMP are prohibited from using derivatives or other financial instruments to limit the risk associated with shares and options granted as part of their remuneration.

KMP receive company contributions to superannuation funds in Australia as required by the law, which is currently 12%, and do not receive any other retirement benefits.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. KMP are paid an agreed number of weeks salary in the event of redundancy. Any options not exercised before or on the date of termination will lapse.

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

The Board's policy is to remunerate non-executive directors at market rates for time, commitment, and responsibilities. The Board determines payments to the non-executive directors and executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting, the current maximum is $450,000 which was approved at the 2007 AGM and have no predetermined performance-based remuneration.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align their interests with shareholders' interests.

Options granted under these arrangements do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, in consultation with KMP to ensure support. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs contribute to the strategies approved by the board. Performance in relation to the KPIs is assessed annually, with performance rights, shares or options being awarded depending on the extent to which the measures are achieved.

The earnings of the Group for the five years to 30 June 2026 are summarised below:

	2026	2025	2024	2023	2022
Revenue and other income ($)	77,667	141,050	125,200	42,016	3,405
Loss after income tax ($)	(2,710,723)	(802,958)	(2,095,562)	(2,107,658)	(1,957,300)

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

Share price at financial year end ($)	0.010	0.005	0.010	0.015	0.008
Total dividend declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.15)	(0.05)	(0.13)	(0.16)	(0.22)

Employment details of members of key management personnel

The following table provides the employment details of persons who were, during the financial year, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

		Performance based remuneration		
		Bonus %	Shares %	Options %
KMP				
Vishal Shah	Chief Commercial Officer (joined on 30 June 2025)	-	6%	-

Performance-based remuneration

Is linked to clearly specified performance targets. These targets are aligned to the entity's short and long-term performance objectives and are appropriate to its circumstances, goals, and risk appetite. The allotment of any performance-based renumeration is at the discretion of the board for any KMP.

Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director. The remuneration and other terms of employment of the Board and executives are summarised below.

David Hainsworth as Executive Chairman of the Company is remunerated on the following terms:

- Salary of $220,000 per annum exclusive of superannuation and other statutory requirements effective May 2025.
- Annual director fee of $50,000 effective 01 April 2026.
- Entitled to performance rights subject to shareholder approval at the AGM.

Bradley Dilkes as Non-Executive Director of the Company is remunerated on the following terms:

- Annual director fee of $50,000 effective June 2025.
- Entitled to performance rights subject to shareholder approval at the AGM.

Bradley Latham as Non-Executive Director of the Company is remunerated on the following terms:

- Annual director fee of $50,000 effective 3 July 2023.
- Entitled to performance rights subject to shareholder approval at the AGM.

David Gulland as Non-Executive Director of the Company is remunerated on the following terms:

- Salary of $200,000 per annum exclusive of superannuation and other statutory requirements effective March 2026.
- Annual director fee of $50,000 effective 10 March 2026.
- Entitled to performance rights subject to shareholder approval at the AGM.
- Other benefits on a discretionary basis.

Vishal Shah as Managing Director of AlgoraeRx Pty Ltd is remunerated on the following terms:

- Salary of $200,000 per annum exclusive of superannuation and other statutory requirements effective 30 June 2025.
- Annual director fee of $50,000 effective 16 March 2026.
- Bonus or incentive on a discretionary basis.

All employment agreements are for an unlimited duration. The agreements for executives may be terminated by giving six-months' notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six-month's subsequent service. Employment agreements do not include the specific performance criteria which are linked to bonuses or incentives, so amounts paid in accordance with the above remuneration policy are effectively at the discretion of the board.

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Remuneration details for the year ended 30 June 2026

The following table of benefits and payment details sets out, in respect of the financial year, the components of remuneration for each member of the KMP of the Group.

	Short term			Post-employment	Long term benefits	Share based payments	Total benefits and payments
	Cash salary fees	Bonus	Total short-term benefits	Pension and superannuation		Options and rights	
2026	**$**	**$**	**$**	**$**	**$**	**$**	
Directors							
David Hainsworth[1]	232,500	-	232,500	26,400	-	29,182	288,082
Bradley Dilkes[2]	50,000	-	50,000	-	-	20,530	70,530
Bradley Latham[3]	34,543	-	34,543	-	-	76,012	110,555
David Gulland	70,890	-	70,890	6,645	-	9,012	86,547
KMP							
Vishal Shah	214,586	-	214,586	24,000	-	27,000	265,586
	602,519	**-**	**602,519**	**57,045**	**-**	**161,736**	**821,300**
2025							
Directors							
David Hainsworth[1]	116,667	-	116,667	2,108	-	8,104	126,879
Bradley Dilkes[2]	79,165	-	79,165	-	-	8,104	87,269
Bradley Latham[3]	50,000	-	50,000	-	-	19,522	69,522
KMP							
Vishal Shah	769	50,000	50,769	6,088	-	-	56,857
	246,601	**50,000**	**296,601**	**8,196**	**-**	**35,730**	**340,527**

[1] *Payment is made to David Hainsworth or Union Square Capital Pty Ltd*
[2] *Payment is made to Cichli Pty Ltd or Cipater Pty Ltd. Mr Dilkes resigned on 14 July 2026*
[3] *Resigned on 10 March 2026*

Securities received that are not performance related

Options are issued to the directors and executives as part of their remuneration. Each share option converts to one ordinary share of 1AI on exercise. The options that are not issued based on performance criteria, are issued to the directors and executives of Algorae and its subsidiaries to align the interest of executives, directors, and shareholders.

Options and rights granted, vested, and lapsed during the year

Details of KMP options and rights granted as remuneration, vested, and lapsed during 2026:

	Number of options/ rights	Exercise price per option/ rights	Value per option/ rights at grant date	Grant date	Vesting date	Expiry date	Vested during period	Forfeited / lapsed during period
		$	$				%	%
Directors								
David Hainsworth	10,000,000	-	$0.0051	02-Oct-25	-	02-Oct-29	-	-
David Hainsworth	10,000,000	-	$0.0053	02-Oct-25	-	02-Oct-30	-	-
David Hainsworth	10,000,000	-	$0.0085	02-Oct-25	-	02-Oct-29	-	-
Bradley Dilkes	5,000,000	-	$0.0051	02-Oct-25	-	02-Oct-29	-	-
Bradley Dilkes	5,000,000	-	$0.0053	02-Oct-25	-	02-Oct-30	-	-
Bradley Dilkes	5,000,000	-	$0.0085	02-Oct-25	-	02-Oct-29	-	-
Bradley Latham	5,000,000	-	$0.0051	02-Oct-25	-	02-Oct-29	-	-
Bradley Latham	5,000,000	-	$0.0053	02-Oct-25	-	02-Oct-30	-	-
Bradley Latham	5,000,000	-	$0.0085	02-Oct-25	-	02-Oct-29	-	-
David Gulland	2,000,000	-	$0.0160	05-Mar-26	-	27-Apr-27	-	-
David Gulland	10,000,000	-	$0.0160	05-Mar-26	-	31-Jul-28	-	-
David Gulland	15,000,000	-	$0.0160	05-Mar-26	-	31-Jul-29	-	-
David Gulland	15,000,000	-	$0.0160	05-Mar-26	-	31-Jul-30	-	-
KMP								
Vishal Shah	2,000,000	-	$0.0060	28-Jul-25	-	30-Jun-26	-	-
Vishal Shah	10,000,000	-	$0.0060	28-Jul-25	-	30-Jun-28	-	-
Vishal Shah	15,000,000	-	$0.0060	28-Jul-25	-	30-Jun-29	-	-
Vishal Shah	15,000,000	-	$0.0060	28-Jul-25	-	30-Jun-30	-	-

Options and rights do not have any voting rights, dividend, or other distribution entitlements.

The fair value of each option and rights at grant date was calculated by using either a Monte Carlo Simulation or the Black-Scholes model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price, and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the options life.

During the year ended 30 June 2026, no ordinary shares of 1AI were issued to KMP on the exercise of options or rights grants. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options and rights were issued by 1AI and entitle the holder to ordinary shares in 1AI for each option exercised.

There have not been any alterations to the terms or conditions of any share-based payment arrangements since grant date.

Directors' report

30 June 2026

Key management personnel options and rights holdings

	Balance at beginning of year	Granted as remuneration	Others	Exercised	Expired/ Forfeited	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
2026									
David Hainsworth[1]	20,312,500	30,000,000	5,125,000	(312,500)	-	55,125,000	-	5,125,000	50,000,000
Bradley Dilkes[2]	20,000,000	15,000,000	-	-	-	35,000,000	-	-	35,000,000
Bradley Latham[3]	10,000,000	15,000,000	4,000,000	-	-	29,000,000	-	4,000,000	25,000,000
David Gulland	-	42,000,000	15,655,866	-	-	57,655,866	-	15,655,866	42,000,000
KMP									
Vishal Shah	-	42,000,000	15,200,000	-	-	57,200,000	-	15,200,000	42,000,000
	50,312,500	144,000,000	39,980,866	(312,500)	-	233,980,866	-	39,980,866	194,000,000

	Balance at beginning of year	Granted as remuneration	Exercised	Expired/ Forfeited	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
2025								
David Hainsworth	312,500	20,000,000	-	-	20,312,500	-	312,500	20,000,000
Bradley Dilkes[2]	-	20,000,000	-	-	20,000,000	-	-	20,000,000
Bradley Latham[3]	10,000,000	-	-	-	10,000,000	-	-	10,000,000
Carolyn Sue	62,500	-	-	(62,500)	-	-	-	-
KMP								
Daya Uka	500,000	-	-	(500,000)	-	-	-	-
Belinda Di Bartolo	500,000	-	-	(500,000)	-	-	-	-
	11,375,000	40,000,000	-	(1,062,500)	50,312,500	-	312,500	50,000,000

[1] *Exercise of options which are not granted as remuneration*
[2] *Resigned on 14 July 2026*
[3] *Resigned on 10 March 2026*

Shareholding

The number of ordinary shares in Algorae Pharmaceuticals Limited held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration	On exercise of options/rights	Other changes during the year	Balance at the end of the year
2026					
David Hainsworth[1]	25,625,000	-	312,500	-	25,937,500
Bradley Dilkes[2]	52,150,000	-	-	-	52,150,000
Bradley Latham[3]	20,000,000	-	-	-	20,000,000
David Gulland[4]	-	-	-	3,279,333	3,279,333
KMP					
Vishal Shah[5]	-	1,500,000	-	1,666,667	3,166,667
	97,775,000	**1,500,000**	**312,500**	**4,946,000**	**104,533,500**
2025					
David Hainsworth[1]	25,625,000	-	-	-	25,625,000
Bradley Dilkes[2]	52,150,000	-	-	-	52,150,000
Bradley Latham[3]	20,000,000	-	-	-	20,000,000
Carolyn Sue	1,125,000	-	-	(1,125,000)	-
	98,900,000	**-**	**-**	**(1,125,000)**	**97,775,000**

Directors' report

30 June 2026

[1] *The shares are held by David Hainsworth and related entity: Union Square Capital Pty Ltd*
[2] *The shares are held by Bradley Dilkes and related entities: Cipater Pty Ltd and Cichli Pty Ltd. Mr. Dilkes resigned on 14 July 2026*
[3] *Resigned on 10 March 2026*
[4] *The shares are held by family member and related entity: Gull Health Pty Ltd*
[5] *Including 500,000 restricted shares. The shares are held by Vishal Shah and related entity: Shah Global Pty Ltd*

This concludes the remuneration report which has been audited.

Directors' report

30 June 2026

Corporate governance statement

The board is committed to achieving and demonstrating the highest standards of corporate governance. The board continues to refine and improve the governance framework and practices in place to ensure they serve the interests of shareholders. The Company complies with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations.

As disclosed in the Appendix 4G and Corporate Governance Statement released to the ASX on 28 August 2025, the Company does not consider its current size to warrant a separately constituted Audit and Risk Committee. The Board believes it is the appropriate body to review and monitor all risks, audit and compliance matters, and to oversee the Company's risk management framework. Accordingly, the responsibilities typically delegated to an Audit and Risk Committee, including oversight of financial and corporate reporting, and the management of operational risks, are undertaken by the full Board.

The Board Charter sets out the processes adopted by the Company to independently verify and safeguard the integrity of its corporate reporting. These processes include the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Algorae's corporate governance statement and board and board committee charters and key corporate governance policies are available in the Governance policies section of the website at https://algoraepharma.com/.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director David Hainsworth

Dated: 31 August 2026

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF ALGORAE PHARMACEUTICALS LIMITED

In relation to our audit of the financial report of Algorae Pharmaceuticals Limited for the year ended 30 June 2026, to the best of my knowledge and belief, there have been no contraventions of the Auditor Independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

31 August 2026
PERTH, WESTERN AUSTRALIA

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2026

	Note	2026	2025
		$	$
Other income			
Interest	2	77,667	141,050
Expenses			
Research and development	3	(940,836)	(854,642)
Distribution	3	(633,246)	-
Share-based payments		(490,003)	(35,730)
Governance	3	(848,054)	(626,793)
Administrative		(229,135)	(176,346)
Borrowing expense		(27,000)	(3,000)
Total expenses		**(3,168,274)**	**(1,696,511)**
Operating loss		**(3,090,607)**	**(1,555,461)**
Foreign exchange loss		(4,583)	15,325
Loss before income tax		**(3,095,190)**	**(1,540,136)**
Income tax benefit	4	**384,467**	**737,178**
Loss after income tax attributable to members of the parent entity		**(2,710,723)**	**(802,958)**
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		1,272	(18,226)
Total other comprehensive (loss)/income		**1,272**	**(18,226)**
Total comprehensive loss attributable to members of the parent entity		**(2,709,451)**	**(821,184)**
Earnings per share			
Basic loss per share (cents)	5	(0.15)	(0.05)
Diluted loss per share (cents)	5	(0.15)	(0.05)

The accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 30 June 2026

	Note	2026	2025
		$	$
ASSETS			
Current assets			
Cash	6	3,187,323	469,222
Term deposit	7	750,000	1,850,000
Other receivables	8	83,475	40,566
Inventories	9	180,744	-
Other assets		236,513	38,766
Total current assets		**4,438,055**	**2,398,554**
Total non-current assets		**-**	**-**
TOTAL ASSETS		**4,438,055**	**2,398,554**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	120,135	158,063
Employee benefit obligations	11	56,586	11,695
Total current liabilities		**176,721**	**169,758**
Total non-current liabilities		**-**	**-**
TOTAL LIABILITIES		**176,721**	**169,758**
NET ASSETS		**4,261,334**	**2,228,796**
EQUITY			
Issued capital	12	85,473,377	81,540,801
Reserves	12	845,553	573,326
Accumulated losses		(82,057,596)	(79,885,331)
Total equity attributable to equity holders of the Company		**4,261,334**	**2,228,796**
TOTAL EQUITY		**4,261,334**	**2,228,796**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2026

2026	**Ordinary shares**	**Accumulated losses**	**Foreign currency translation reserve**	**Share-based payment reserve**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2025	**81,540,801**	**(79,885,331)**	**(15,394)**	**588,720**	**2,228,796**
Loss after income tax attributable to members of the parent entity	-	(2,710,723)	-	-	(2,710,723)
Total other comprehensive income	-	-	1,272	-	1,272
Transaction with equity holders in their capacity as owners					
Shares issued during the year	1,096,185	-	-	-	1,096,185
Transaction costs	(129,507)	-	-	-	(129,507)
Share-based payment	15,000	-	-	475,003	490,003
Option exercised	2,948,570	-	-	-	2,948,570
Option paid	2,328	-	-	334,410	336,738
Expired options	-	538,458	-	(538,458)	-
Balance at 30 June 2026	**85,473,377**	**(82,057,596)**	**(14,122)**	**859,675**	**4,261,334**

2025	**Ordinary shares**	**Accumulated losses**	**Foreign currency translation reserve**	**Share-based payment reserve**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2024	**81,540,801**	**(79,083,623)**	**2,832**	**554,240**	**3,014,250**
Loss after income tax attributable to members of the parent entity	-	(802,958)	-	-	(802,958)
Total other comprehensive loss	-	-	(18,226)	-	(18,226)
Transaction with equity holders in their capacity as owners					
Shares-based payment	-	-	-	35,730	35,730
Expired options	-	1,250	-	(1,250)	-
Balance at 30 June 2025	**81,540,801**	**(79,885,331)**	**(15,394)**	**588,720**	**2,228,796**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2026

	Note	2026	2025
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipt of R&D tax credit		384,467	737,178
Payments to suppliers and employees		(3,068,336)	(1,687,763)
Interest received		79,937	165,335
Net cash used in operating activities	18	**(2,603,932)**	**(785,250)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipt of term deposit		1,100,000	950,000
Investment in term deposit		-	(500,000)
Net cash (used in)/provided by investing activities		**1,100,000**	**450,000**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuing shares and options		1,432,922	-
Proceeds from exercise of options		2,948,570	-
Transaction costs paid		(156,507)	(3,000)
Net cash provided by financing activities		**4,224,985**	**(3,000)**
Effect of exchange rates on cash holdings in foreign currency		(2,954)	(941)
Net increase/(decrease) in cash held		2,718,101	(339,191)
Cash at beginning of year		469,222	808,413
Cash at end of financial year		**3,187,323**	**469,222**

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2026

1. Material accounting policy information

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2026 has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the financial report conforms to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report covers Algorae Pharmaceuticals Limited and its controlled entities. Algorae Pharmaceuticals Limited (also referred to hereafter as 1AI, the 'Company', or the 'Group') is a listed for-profit public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report has been presented in Australian dollars, which is the Company's presentation currency. The report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and the 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 Group.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The separate financial statements and notes of the parent entity, Algorae Pharmaceuticals Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity disclosures are included in note 17.

Inventories

Judgement is required in assessing whether inventor is recoverable at an amount equal to or greater than its carrying value. This assessment considers expected sales volumes, expiry dates, product demand and estimated selling prices.

Share-based payment

The Company measures the cost of equity-settled transactions with employees and/or directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model or an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation that takes into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments, including the determination of the vesting date, would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(c) Interest in subsidiaries/controlled entities

As at year end the assets and liabilities of all controlled entities have been included in the consolidated financial statements as well as their results for the year. The directors have deemed that control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

1. Material accounting policy information (continued)

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. All controlled entities have a 30 June financial year end.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries/controlled entities:

	Country of Incorporation	Percentage Owned (%) 2026	Percentage Owned (%) 2025
Parent entity and ultimate parent of the Group:			
Algorae Pharmaceuticals Limited	Australia		
Subsidiaries:			
Living Cell Products Pty Ltd	Australia	100	100
Living Cell Technologies New Zealand Ltd	New Zealand	100	100
AlgoraeRx Pty Ltd	Australia	100	100
Algorae Sciences Pty Ltd	Australia	100	-

Percentage of voting power is in proportion to ownership.

(d) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income. Foreign currency transactions are recorded at the spot rate on the date of the transaction.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for each month during the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

1. Material accounting policy information (continued)

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed of.

(e) Comparative amounts

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

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

(f) Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the tax authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(h) Adoption of new and revised accounting standards

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There was no material impact on the Group's financial statements upon the adoption of these Standards and Interpretations.

(i) New Accounting Standards and Interpretation not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2026. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set below.

AASB 18 Presentation and Disclosure in Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2027 and early adoption is permitted. The standard replaces IAS 1 "Presentation of Financial Statements", with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statements of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: "Operating profit" and "Profit before financing and income taxes". There are also new disclosure requirements for "management-defined performance measures", such as earnings before interest, taxes, depreciation and amortisation ("EBITDA") or "adjusted profit". The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The consolidated entity will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements

For the year ended 30 June 2026

1. Material accounting policy information (continued)

(j) Going concern

These financial statements have been prepared on a going concern basis. The Group incurred a loss after income tax attributable to members of the parent entity of $2,710,723 (2025: $802,958) and incurred negative cash flows from operations of $2,603,932 (2025: $785,250).

As at 30 June 2026 the Group had $3,187,323 cash in the bank and $750,000 term deposits, compared to $469,222 cash in bank and $1,850,000 term deposit at 30 June 2025. The directors prepare a rolling 12-month cash flow forecast and the balance is projected to allow the planned level of operations to continue for at least 12 months from the date of authorisation of this financial report. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available. The directors have a history of raising capital as required to support their research projects and operating expenses.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2. Other income

	2026	2025
	$	$
Interest income	77,667	141,050
	77,667	**141,050**

3. Expenses

Expenses include the following:

	2026	2025
	$	$
Employee benefits	192,713	212,975
Third party services	673,873	565,878
Other research and development expenses	74,250	75,789
Research and development expenses	**940,836**	**854,642**
Operating expense	298,073	-
Employee benefits	328,954	-
Other distribution expenses	6,219	-
Distribution expenses	**633,246**	**-**
Director fee	373,543	247,940
Consultancy	142,279	142,699
Other governance expenses	332,232	236,154
Governance expenses	**848,054**	**626,793**

4. Income tax expense

Reconciliation of income tax to accounting loss:	2026	2025
	$	$
Loss before income tax	(3,095,190)	(1,540,136)
Effective tax rate	30%	30%
	(928,557)	(462,041)
- Non-deductible expenditure	215,185	60,301
- Non-deductible expenditure (R&D)	292,002	251,942
- Non-deductible expenditure (R&D adjustment on previous year)	(14,128)	
- Difference in overseas tax rates	2,732	2,039
- Deferred tax assets not brought into account	432,766	147,759
- R&D tax refund	(384,467)	(737,178)
Income tax expense/(credit)	**(384,467)**	**(737,178)**

Tax losses	2026	2025
	$	$
Unused tax losses for which no deferred tax asset has been recognised	46,231,356	45,521,407
Potential tax benefit at 30% AU (2025: 30%)	10,457,773	10,059,929
Potential tax benefit at 28% NZ	3,184,192	3,356,727

5. Loss per share

Reconciliation of earnings to profit or loss from continuing operations:

	2026	2025
	$	$
Loss used in calculation of basic and diluted EPS	(2,710,723)	(802,958)
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	1,774,248,757	1,687,394,731
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,774,248,757	1,687,394,731
Basic loss per share (cents)	(0.15)	(0.05)
Diluted loss per share (cents)	(0.15)	(0.05)

Options and rights have been excluded in the weighted average number of shares used to calculate diluted earnings per share as they were anti-dilutive.

6. Cash

	2026	2025
	$	$
Cash at bank	3,187,323	469,222
	3,187,323	**469,222**

7. Term deposit

	2026	2025
	$	$
1-3 months term deposit with interest of 4.94% p.a. (2025: 3.29% - 4.30% p.a.)	750,000	1,850,000
	750,000	**1,850,000**

8. Other receivables

	2026	2025
	$	$
Accrued interest	1,523	3,793
Other receivables	81,952	36,773
Total	**83,475**	**40,566**

Aged analysis

At 30 June 2026, there were no past due receivables, bad debts or doubtful debts (2025: Nil).

9. Inventories

	2026	2025
	$	$
Inventory – at cost	180,744	-
	180,744	**-**

10. Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

	2026	2025
	$	$
Unsecured liabilities		
Trade payables	90,135	68,988
Accrued expenses	30,000	89,075
Total trade payables and other payables	**120,135**	**158,063**

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

11. Employee benefit obligations

	2026	2025
	$	$
Opening balance	11,695	5,577
Leave accrued	55,631	11,538
Leave taken	(10,740)	(5,420)
Leave payout	-	-
Balance at end of the year	**56,586**	**11,695**

Recognition and measurement

Provisions are recognised when the Group has a legal or constructive obligation, because of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provision is made for the Group'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 present value of the estimated future cash outflows to be made for those benefits.

Notes to the consolidated financial statements

For the year ended 30 June 2026

12. Issued capital and reserves

	No. of shares	Issue price	$
Balance at 30 June 2025	**1,687,394,731**		**81,540,801**
Employee incentive shares issued on 07 November 2025	1,000,000	**0.0090**	9,000
Exercise of options on 27 November 2025	364,327	**0.0120**	4,372
Exercise of options on 19 December 2025	1,663	**0.0120**	20
Exercise of options on 02 February 2026	47,745	**0.0140**	716
Exercise of options on 09 February 2026	600,000	**0.0140**	9,000
Exercise of options on 11 February 2026	2,050,000	**0.0120**	24,600
Exercise of options on 11 February 2026	133,000	**0.0140**	1,995
Exercise of options on 19 February 2026	8,000,000	**0.0120**	96,000
Exercise of options on 19 February 2026	906,623	**0.0140**	13,599
Exercise of options on 27 February 2026	7,377,816	**0.0120**	88,534
Exercise of options on 05 March 2026	4,662,500	**0.0120**	55,950
Exercise of options on 05 March 2026	400,000	**0.0140**	6,000
Exercise of options on 13 March 2026	3,852,712	**0.0120**	46,233
Exercise of options on 27 March 2026	44,241,067	**0.0120**	530,893
Exercise of options on 02 April 2026	172,448,570	**0.0120**	2,069,383
Exercise of options on 02 April 2026	239,400	**0.0140**	3,591
Placement shares issued on 02 April 2026	89,350,001	**0.0120**	1,072,185
Employee incentive shares issued on 25 May 2026	500,000	**0.0120**	6,000
Placement shares issued on 17 June 2026	2,000,000	**0.0120**	24,000
Exercise of options on 17 June 2026	833	**0.0140**	12
Share issue transaction costs net of tax	-	-	(129,507)
Balance at 30 June 2026	**2,025,570,988**		**85,473,377**

	2026	2025
Reserves	**$**	**$**
Options	605,553	538,458
Performance rights	254,122	50,262
Share-based payment reserve	**859,675**	**588,720**
Foreign currency translation reserve	(14,122)	(15,394)
Total reserves	**845,553**	**573,326**

12. Issued capital and reserves (continued)

As at 30 June 2026, the Company had 376,423,855 unlisted options on issue, detailed as follows:

Unlisted Options	Date of Expiry	Exercise Price	No. under Option
22 December 2025 - Loyalty options	01-Dec-29	$0.014	199,013,513
02 February 2026 - Options converted to shares		$0.014	(47,745)
09 February 2026 - Options converted to shares		$0.014	(600,000)
11 February 2026 - Options converted to shares		$0.014	(133,000)
19 February 2026 - Options converted to shares		$0.014	(906,623)
05 March 2026 - Options converted to shares		$0.014	(400,000)
13 March 2026 - Loyalty options shortfall	01-Dec-29	$0.014	138,737,943
13 March 2026 - Lead manager options	01-Dec-29	$0.014	30,000,000
02 April 2026 - Options converted to shares		$0.014	(239,400)
02 April 2026 - Consultant options	01-Dec-29	$0.014	11,000,000
17 June 2026 - Options converted to shares		$0.014	(833)
			376,423,855

Ordinary Shares

Ordinary shares are classified as equity. The shareholder options attached to the ordinary shares issued as part of the rights issue, convertible notes and share placement have not been separately valued but recognised together with the proceeds for issuing the shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The Company does not have par value in respect of its shares.

Capital management

Capital of the Group is managed to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2025 Annual Report.

The Group's capital comprises shares.

There are no externally imposed capital requirements.

The Group manages the Group's capital structure by assessing the Group's financial risks and adjusting the capital structure in response to changes in these risks and the market. These responses include the issue of additional shares and/or convertible securities.

In January 2026, the Company secured a $3.0 million receivables-based working capital facility with ScotPac Business Finance, commencing 20 January 2026, for an initial term of 24 months. The facility is revolving and self-liquidating, bears interest at BBSY plus 6.70% on drawn amounts only, and is secured against AlgoraeRx's trade receivables and supported by a parent guarantee from the Company. The facility was undrawn at 31 March 2026 and undrawn at 30 June 2026. The Company's warranties and obligations among others are disclosing all of existing financial indebtedness, all securities in property in which the Company has an interest, and all guarantees given by the Company; not insolvent and does not have a creditors account except one ScotPac has approved which is more than ninety days overdue; and paying all taxes payable and lodging all tax returns on time.

12. Issued capital and reserves (continued)

Share Based Payments

Recognition and measurement

Equity-settled transactions are awards of shares, performance rights, or options over shares, that are provided in exchange for the rendering of services.

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

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

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

Share-based payment reserve movements

	2026	2025
	$	$
Beginning balance	588,720	554,240
Options paid	334,409	-
Share-based payment expense - options (i)	271,144	-
Share-based payment expense - performance rights (ii)	203,860	35,730
Expired options	(538,458)	(1,250)
Ending balance	**859,675**	**588,720**

(i) Options

- Options granted to the Lead Manager on 27 October 2025 as part of an ongoing advisory mandate.
- Options granted on 2 April 2026 for consultancy services provided to the Company.

Recipient	No. of options	Fair value per option	Expensed during the year ended 30 June 2026
Lead Manager	30,000,000	$0.0054	$161,673
Consultants	11,000,000	$0.0100	$109,471
			$271,144

Valuation input:

Options granted to Lead Manager:
- Grant date: 27 October 2025
- Exercise price: $0.0140
- Volatility: 80%
- Risk-free interest rate: 3.347%
- Vesting condition: completion of a capital raising capital pursuant to the terms of the lead manager mandate

Notes to the consolidated financial statements

For the year ended 30 June 2026

12. Issued capital and reserves (continued)

Options granted to Consultants:
- Grant date: 2 April 2026
- Exercise price: $0.0140
- Volatility: 80%
- Risk-free interest rate: 4.615%

(ii) Performance Rights

Performance rights have been granted to various parties and are expensed over their respective vesting periods.

Recipient	New expense during the year	Amortisation (Prior Grants)	Total expense during the year ended 30 June 2026
Directors	$86,966	$47,771	$134,737
Director of subsidiary	$12,000	-	$12,000
Employee	$15,050	-	$15,050
Lead Manager	$42,073	-	$42,073
	$156,089	**$47,771**	**$203,860**

Recipient	New expense during the year	Amortisation (Prior Grants)	Total expense during the year ended 30 June 2025
Directors	$16,208	$19,522	$35,730
	$16,208	**$19,522**	**$35,730**

Performance rights granted during the year have been valued using Black Scholes or Monte Carlo model. The number securities granted and valuation inputs are outlined below.

	PR no	Grant Date	Expiry Date	Share price at grant date	Exercise price	Volatility	Risk-free rate	Fair-value at grant date
Director PR[1]	20,000,000	02-10-2025	02-10-2029	$0.0085	nil	80%	3.472%	$0.0051
Director PR[2]	20,000,000	02-10-2025	02-10-2030	$0.0085	nil	80%	3.472%	$0.0053
Director PR[3]	20,000,000	02-10-2025	02-10-2029	$0.0085	nil	80%	3.472%	$0.0085
Director PR[4]	2,000,000	05-03-2026	27-04-2027	$0.0160	nil	80%	4.223%	$0.0160
Director PR[5]	10,000,000	05-03-2026	31-07-2028	$0.0160	nil	80%	4.223%	$0.0160
Director PR[6]	15,000,000	05-03-2026	31-07-2029	$0.0160	nil	80%	4.223%	$0.0160
Director PR[7]	15,000,000	05-03-2026	31-07-2030	$0.0160	nil	80%	4.223%	$0.0160
Director of subsidiary PR[4]	2,000,000	28-07-2025	30-06-2026	$0.0060	nil	80%	3.399%	$0.0060
Director of subsidiary PR[5]	10,000,000	28-07-2025	30-06-2028	$0.0060	nil	80%	3.399%	$0.0060
Director of subsidiary PR[6]	15,000,000	28-07-2025	30-06-2029	$0.0060	nil	80%	3.399%	$0.0060
Director of subsidiary PR[7]	15,000,000	28-07-2025	30-06-2030	$0.0060	nil	80%	3.399%	$0.0060
Employee PR[4]	2,000,000	13-03-2026	27-04-2027	$0.0150	nil	80%	4.425%	$0.0150
Employee PR[5]	5,000,000	13-03-2026	31-07-2028	$0.0150	nil	80%	4.425%	$0.0150

12. Issued capital and reserves (continued)

	PR no	Grant Date	Expiry Date	Share price at grant date	Exercise price	Volatility	Risk-free rate	Fair-value at grant date
Employee PR[6]	7,500,000	13-03-2026	31-07-2029	$0.0150	nil	80%	4.460%	$0.0150
Employee PR[7]	7,500,000	13-03-2026	31-07-2030	$0.0150	nil	80%	4.460%	$0.0150
Employee PR[8]	$125,000/5 days VWAP	13-03-2026	30-06-2028	$0.0150	nil	80%	4.425%	$0.0102
Employee PR[9]	$187,500/5 days VWAP	13-03-2026	30-06-2030	$0.0150	nil	80%	4.460%	$0.0100
Employee PR[10]	$250,000/5 days VWAP	13-03-2026	30-06-2030	$0.0150	nil	80%	4.460%	$0.0079
Lead Manager PR[11]	25,000,000	27-10-2025	23-10-2028	$0.0100	nil	80%	3.347%	$0.0100
Lead Manager PR[12]	25,000,000	27-10-2025	23-10-2028	$0.0100	nil	80%	3.347%	$0.0042
Lead Manager PR[13]	25,000,000	27-10-2025	23-10-2028	$0.0100	nil	80%	3.347%	$0.0100
Lead Manager PR[14]	25,000,000	27-10-2025	23-10-2028	$0.0100	nil	80%	3.347%	$0.0033

Vesting conditions:

[1] The Company achieving a market capitalisation of at least $75 million between 3 October 2025 and 2 October 2029
[2] The Company achieving a market capitalisation of at least $100 million between 3 October 2025 and 2 October 2030
[3] The Company achieving $10 million in revenue within any 12-month period between 3 October 2025 and 2 October 2029
[4] 12-month continuous service
[5] The Company achieving $10 million in revenue with an EBIT margin of at least 20% within any 12-month period
[6] The Company achieving $15 million in revenue with an EBIT margin of at least 20% within any 12-month period
[7] The Company achieving $25 million in revenue with an EBIT margin of at least 20% within any 12-month period
[8] The Company achieving a market capitalisation of at least $75 million
[9] The Company achieving a market capitalisation of at least $150 million
[10] The Company achieving a market capitalisation of at least $250 million
[11] The Company formally approves at least one new strategic growth initiative or partnership introduced by the Lead Manager; or the Company completing a capital raising facilitated by the Lead Manager exceeding $1.5 million (gross)
[12] The Company achieving a market capitalisation of at least $75 million or greater as determined by a 10-day Volume Weighted Average Price (VWAP)
[13] The Company successfully completing aggregate capital raisings exceeding $4 million (gross)
[14] The Company executing a licensing, acquisition or collaboration agreement; commencing a clinical trial or submission of a regulatory application for a new project; or achieving a market capitalisation of $100 million or greater, as determined by a 10-day VWAP

Certain performance rights outstanding at 30 June 2026 are subject to non-market vesting conditions, including revenue targets, EBIT margin targets, clinical trial milestones, strategic initiative milestones and capital raising milestones. Management has assessed the probability of achieving these non-market vesting conditions in accordance with AASB 2 and determined that achievement of the relevant conditions is not yet considered probable. Accordingly, no share-based payment expense has been recognised in respect of these awards. The affected awards comprise 200,000,000 performance rights with an aggregate grant date fair value of $2.11 million.

Share options are issued to employees and KMP as part of remuneration in exchange for the rendering of services provided by the relevant employees and KMP. The fair value of these share options is measured at the grant date and recognised over the period during which the options vest to the KMP and employees.

12. Issued capital and reserves (continued)

The fair value of each option at grant date was calculated by using the Black-Scholes model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price, and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the options life.

During the year ended 30 June 2026 no ordinary shares were issued on the exercise of options previously granted.

Options do not have any voting rights, dividend, or other distribution entitlements.

The weighted average exercise price of options granted during the year was $0.014 (2025: $0.012). The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.42 years (2025: 0.75 years).

Foreign currency translation reserve

The foreign currency translation reserve comprises all translation exchange differences arising on the retranslation of opening net assets together with differences between the statement of profit or loss and other comprehensive income translated at average and closing rates. It also includes adjustments in relation to investments in foreign operations.

Share-based payment reserve

The share-based payment reserve reflects the accumulated expenses associated with the granting of outstanding options and performance rights to lead manager, consultant, directors and staff.

13. Currency translation rates

	NZD	NZD
	2026	**2025**
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.82	0.93
Weighted average rates for the year used for the consolidated statements of profit or loss and other comprehensive income and cash flows, to translate the following currencies into Australian dollars (AUD), are:	0.86	0.91

NZD = NZ dollar

14. Commitments for expenditure

On 23 June 2026, Algorae entered into Statement of Work with AgenticScale.ai Pty Ltd for implementation of an AI operating system. The total contract value is $120,000 (excluding GST) over three sprints.

On 24 April 2026, AlgoraeRx Pty Ltd entered into an exclusive Regulatory Affair Consultant Agreement with Mahesh Panchal commencing 3 August 2026 for an initial two-year term. The agreement provides for monthly consulting fees of INR 183,334.

On 16 January 2026, AlgoraeRx Pty Ltd entered into a $3.0 million debtor finance facility with Scottish Pacific Business Finance Pty Ltd, supported by a guarantee and indemnity from Algorae Pharmaceuticals Limited. The guarantee may constitute a contingent liability depending on facility utilisation and future obligations.

On 31 January 2026, AlgoraeRx Pty LT entered into a license and supply agreement with Cadilla Pharmaceuticals Limited. License fee commitment for Cadilla Pharmaceuticals Limited is $45,000.

In September 2025, AlgoraeRx Pty Ltd entered into an exclusive licensing agreement with Sakar Healthcare Limited (Sakar) to launch 5 generic oncology medicines into the Australian and New Zealand markets. License fee commitment for Sakar is US$110,000. Through 30 June 2026, US$25,000 license fee had been paid to Sakar.

14. Commitments for expenditure (continued)

On 26 September 2023 Algorae entered into variation to the Next Generation AI Graduate Program agreement for the "AI-enabled Medical Technologies: From Diagnostics to Therapeutics" program. Algorae's participant cash contribution for the program is $180,000, of which the payments to universities for student scholarships and allowances will be made on execution of Student Agreements and then after receipt by CSIRO of the 6-monthly milestone reports from each University. Through 30 June 2026, the Company had recognised the total related expenditure of $180,000.

On 20 October 2023 Algorae entered into a Master Research Agreement with The University of New South Wales. The primary objective of this project is to develop an AI predictive modelling platform to harness complex data derived from extensive molecular screening profiles, molecular structures, drug targets, omics profiles, among others to identify novel combination drug candidates and repositioning opportunities through AI-enabled predictive modelling. The total fee for the research service is $726,565 (excluding GST). Through 30 June 2026, the Company had recognised the related expenditure of $661,439.

Algorae entered into Research Service Agreement of which Monash University will perform pre-clinical investigation of beta blockers in combination with Algorae compounds for disorders related to vascular cell dysfunction, commencing on 01 December 2023. Total fee for the research service is $253,000 (excluding GST). Through 30 June 2026, the Company had recognised the total related expenditure of $253,000.

Algorae entered into Statement of Work No. 1 with Peter MacCallum Cancer Institute ('PMCC'). Under the agreement, PMCC will provide a final project report to the Company using the in-house VCFG PRIME (confluence portal). A workflow for analysis and outcomes dashboard will be generated in consultation. The estimated total fee for the service is $63,754 (excluding GST). Through 30 June 2026, the Company had recognised the related expenditure of $103,679.

15. Key management personnel disclosures

Key management personnel remuneration included within employee expenses for the year is shown below

	2026 $	2025 $
Short term employee benefits	602,519	296,601
Post-employment benefits	57,045	8,196
Share-based payments	161,736	35,730
Total	**821,300**	**340,527**

Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's, superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

16. Related parties

Parent entity:

The parent entity and ultimate parent entity of the Group is Algorae Pharmaceuticals Limited.

16. Related parties (continued)

Loans

All loan balances between companies in the Group have been fully provided for and eliminated on consolidation. All inter-company loan transactions to and from subsidiaries and with the parent entity are fully provided for.

Key management personnel

Disclosures relating to key management personnel have been set out in note 15 and the Directors' Report.

Entities subject to significant influence by the Group

An entity over which the Group has the power to participate in the financial and operating policy decisions but does not have control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Subsidiaries

The consolidated financial statements include the financial statements of Algorae Pharmaceuticals Limited and its subsidiaries. For details of subsidiaries, refer to the note 1c.

Other Transactions with related parties

Algorae Pharmaceuticals Limited notes there are no agreements in place between Alignment Capital Pty Ltd ('Alignment') and any other shareholder(s) of the Company that would enable Alignment to appoint Directors to the Company's Board. Consequently, notwithstanding the shared key management personnel between the two parties, Algorae is not considered to be a subsidiary or associate of Alignment under AASB 10 or AASB 128, and therefore Alignment is not considered to be a related party of Algorae.

17. Parent entity disclosures

	2026	2025
Statement of financial position	**$**	**$**
Current assets	4,013,078	2,378,537
Total assets	5,145,244	2,382,295
Current liabilities	(106,057)	(80,044)
Total liabilities	(106,057)	(80,044)
Net assets	**5,039,187**	**2,302,251**
Accumulated losses	(81,293,864)	(79,827,270)
Issued capital	85,473,377	81,540,801
Reserves	859,674	588,720
Total Equity	**5,039,187**	**2,302,251**
Statement of profit or loss and other comprehensive income		
Loss after income tax	(2,005,051)	(749,516)
Total comprehensive loss	**(2,005,051)**	**(749,516)**

As disclosed in note 12, parent guarantee was given for $3.0 million receivables-based working capital facility with ScotPac Business Finance.

Notes to the consolidated financial statements

For the year ended 30 June 2026

18. Cash flow information

	2026	2025
	$	$
Cash at the end of the financial year reconciled to items in the consolidated statement of financial position as follows:		
Cash	**3,187,323**	**469,222**

Reconciliation of result for the year to cash flows used in operating activities.

	2026	2025
Loss for the year	**(2,710,723)**	**(802,958)**
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss for the year		
- net foreign currency (gains)/losses	4,224	(17,285)
- share, options and performance rights	490,003	35,730
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(42,909)	10,834
- (increase)/decrease in inventories	(180,744)	-
- (increase)/decrease in other assets	(197,747)	2,742
- (decrease)/increase in trade and other payables	(10,927)	(20,431)
- increase/(decrease) in employee benefits	44,891	6,118
Cash flows used in operations	**(2,603,932)**	**(785,250)**
Financing arrangements		
Unused facility	**3,000,000**	**-**

19. Segment reporting

General information

Identification of reportable segments

The group has identified is operating segments based on the internal report that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group operates in the following segments, predominantly in Australia:

2026	Research and Development $	Distribution $	Head Office $	Elimination $	Consolidation $
Interest	-	-	77,667	-	77,667
Operating expenses	(1,005,549)	(697,086)	(1,124,053)	175,418	(2,651,270)
Share-based payments	-	(27,000)	(463,003)	-	(490,003)
Borrowing expenses	-	(27,000)	-	-	(27,000)
Foreign exchange	-	(618)	-	(3,965)	(4,583)
R&D tax credits	384,467	-	-	-	384,467
Segment result	**(621,082)**	**(751,704)**	**(1,509,390)**	**171,453**	**(2,710,723)**
Total assets	**17,760**	**409,854**	**5,145,244**	**(1,134,803)**	**4,438,055**
Total liabilities	**33,472,517**	**1,193,922**	**87,229**	**(34,576,946)**	**176,721**

19. Segment reporting (continued)

2025	Research and Development $	Distribution $	Head Office $	Elimination $	Consolidation $
Interest	-	-	141,050	-	141,050
Operating expenses	(825,167)	(59,366)	(897,913)	123,061	(1,659,385)
Share-based payments	-	-	(35,730)	-	(35,730)
Borrowing expenses	-	-	(3,000)	-	(3,000)
Foreign exchange	15,571	-	1,358	-	16,929
R&D tax credits	737,178	-	-	-	737,178
Segment result	**(72,418)**	**(59,366)**	**(794,235)**	**123,061**	**(802,958)**
Total assets	**19,624**	**393**	**2,382,295**	**(3,758)**	**2,398,554**
Total liabilities	**33,318,924**	**59,757**	**65,524**	**(33,274,447)**	**169,758**

20. Financial risk management

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign currency risk and by being aware of market forecasts for interest rates and foreign exchange rates. The Group's policy is to invest in a spread of maturities to manage interest rate risk and to invest in currencies in approximate proportions of forecast expenditure to manage foreign exchange risk.

The Group holds the following financial instruments

	2026	2025
Financial Assets	**$**	**$**
Cash	3,187,323	469,222
Term deposit	750,000	1,850,000
Trade and other receivables	83,475	40,566
Total financial assets	**4,020,798**	**2,359,788**
Financial Liabilities		
Trade and other payables	120,135	158,063
Total financial liabilities	**120,135**	**158,063**

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that sufficient working capital is available to enable the consolidated entity to maintain adequate reserves to allow the consolidated entity to achieve identified strategic objectives.

20. Financial risk management (continued)

The tables below analyse the consolidated entity's financial assets and liabilities. The amounts disclosed in the table are the contractual cash flows.

	Within 1 Year		1 to 5 Years		Over 5 Years	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets - cash flows realisable						
Trade and other receivables	83,475	40,566	-	-	-	-
Trade and other payables	(120,135)	(158,063)	-	-	-	-
Total anticipated outflows	**(36,660)**	**(117,497)**	-	-	-	-

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short-term deposits held. The Company manages this risk by investing in term deposits ranging from call to 6 months. This investment policy is adopted to manage risks and enhance returns.

Interest rate risk sensitivity analysis

At 30 June 2026, the effect on profit/(loss) and equity as a result of changes in the interest rate, based on interest income at the average rate for the year, with all other variables remaining constant would be as follows:

	2026	**2025**
	$	**$**
+ 1% (100 basis points)	14,705	30,525
- 0.5% (50 basis points)	(7,353)	(15,262)

The consolidated entity's activities expose it to the risk of changes in foreign currency exchange rates and interest rates. These risks are managed at a company and consolidated level through sensitivity analysis. There has been no change to the consolidated entity's exposure to market risks or the way it manages and measures the risk from the previous period.

Credit risk

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

Receivable balances are monitored on an on-going basis with the result that the consolidated entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The consolidated entity's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities when revenues or expenses are denominated in a different currency from the consolidated entity's presentation currency and the net investment in foreign subsidiaries. The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the presentation currency of operations.

20. Financial risk management (continued)

The tables below analyse the consolidated entity's financial assets and liabilities. The amounts disclosed in the table are the contractual cash flows.

2026	**NZD Total**
Consolidated	
Cash	4,426
Trade and other receivables	549
Trade and other payables	(10,862)
	USD Total
Consolidated	
Trade and other payables	(3,000)

2025	**NZD Total**
Consolidated	
Cash	5,025
Trade and other receivables	432
Trade and other payables	(36,252)

Foreign currency risk sensitivity analysis

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the end of the reporting period.

The consolidated entity is mainly exposed to New Zealand dollars (NZD) and US dollars (USD). The table demonstrates the sensitivity of profit or loss before tax to a reasonably possible change in the AUD/NZD and AUD/USD exchange rate.

A fluctuation of the New Zealand dollar and US dollar would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Increase by 5%	**Decrease by 5%**
2026	464	(458)
2025	1,539	(3,080)

Price risk

Consolidated Entity is not exposed to any material commodity price risk.

21. Remuneration of auditors

	2026	**2025**
	$	**$**
Audit and review of financial statements	53,100	69,250
Other assurance services	-	-
Total services provided	**53,100**	**69,250**

22. Contingent assets and liabilities

Following a formal review of the New Zealand R&D incentive environment, the subsidiary Company decided not to apply for further credit under the R&D loss tax credit scheme and appointed external advisors to advise it in relation to R&D incentive schemes. The total claimed to date is $1,779,499. Going forward the Company will seek funding from other avenues.

The R&D loss tax credits received over the past 6 years will be repayable by the Company to Inland Revenue Department if certain events occur. These events include a greater than 90% change in the shareholding of the Company measured over a period commencing from the first day of the income year in which a credit arose, the Company ceases to be a resident in New Zealand, the Company has a liquidator appointed, and a sale of the relevant intellectual property by the Company. The maximum amount to be repaid to the Inland Revenue Department will be the balance of the tax credits provided by the Inland Revenue Department to the Company, reduced by subsequent income tax payments made by the Company. The tax losses which gave rise to the repaid tax credit will be reinstated. The likelihood of these loss recovery events occurring is currently considered remote and are currently within Algorae's control; therefore, these balances are not deemed a liability nor a contingent liability. Disclosure has been included here in the interests of transparency.

On 16 January 2026, AlgoraeRx Pty Ltd entered into a $3.0 million debtor finance facility with Scottish Pacific Business Finance Pty Ltd, supported by a guarantee and indemnity from Algorae Pharmaceuticals Limited. The guarantee may constitute a contingent liability depending on facility utilisation and future obligations.

There were no other material contingent assets or liabilities at the reporting date.

23. Events occurring after the reporting date

On 1 July 2026, the Company announced that it had been awarded a public hospital supply contract with NSW Health following a competitive tender process, for an initial term of three years with two optional one-year extensions (3+1+1 years). Onboarding and rollout are underway, with first supply expected in the fourth quarter of the 2026 calendar year. The terms of the agreement, including scope, pricing and volumes, are confidential and the financial impact of the award cannot be quantified at this time.

On 1 July 2026 the Company appointed Mrs Geraldine Holland and Ms Catherine Earlie as Joint Company Secretaries.

On 6 July 2026 the Company issued 2,000,000 shares as conversion of performance rights.

On 14 July 2026, the Company appointed Mr Troy Valentine as a non-executive director, with Mr Brad Dilkes resigning effective 14 July 2026.

On 21 July 2026 the Company announced cessation of 35,000,000 performance rights due to resignation of director.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24. Company Detail

The registered office of the Company is:

Algorae Pharmaceuticals Limited
Level 23, Rialto South Tower
525 Collins Street
Melbourne VIC 3000
Australia

Consolidated entity disclosure statement

As at 30 June 2026						
Name of entity	**Type of entity**	**Trustee, partner or participant in JV**	**% of share capital**	**Place of business/ country of incorporation**	**Australian resident or foreign resident**	**Foreign jurisdiction(s) of foreign residents**
Algorae Pharmaceuticals Limited	Body corporate	-	-	Australia	Australian resident	n/a
Living Cell Products Pty Ltd	Body corporate	-	100	Australia	Australian resident	n/a
AlgoraeRx Pty Ltd	Body corporate	-	100	Australia	Australian resident	n/a
Algorae Sciences Pty Ltd	Body corporate	-	100	Australia	Australian resident	n/a
Living Cell Technologies New Zealand Ltd	Body corporate	-	100	New Zealand	Foreign resident	New Zealand

Basis of preparation
This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements*.

Determination of tax residency
Section 295 (3A) (vi) of the *Corporations Act 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

a. Australian tax residency: The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.
b. Foreign tax residency: The Group has applied current legislation and judicial precedent in the determination of foreign tax residency.

Directors' declaration

The directors of Algorae Pharmaceuticals Limited declare that:

1. the financial statements and notes for the year ended 30 June 2026 are in accordance with the *Corporations Act 2001* and:

    - comply with the *Corporations Regulations 2001* and the Accounting Standards, which, as stated in accounting policy notes as set out on pages 25 to 43 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    - give a true and fair view of the financial position and performance of the Group;

2. the Chief Financial Officer and Chief Executive Officer have given the declarations required by Section 295A of the *Corporations Act 2001*.

3. the consolidated entity disclosure statement on page 44 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.

This declaration is made in accordance with a resolution of the board of directors.

Director: David Hainsworth

Dated: 31 August 2026

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Australia

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALGORAE PHARMACEUTICALS LIMITED

Report on the Financial Report

Opinion

We have audited the financial report of Algorae Pharmaceuticals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of Algorae Pharmaceuticals Limited is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2026 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

Key Audit Matters

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context

Valuation of share based payments

Why significant	How our audit addressed the key audit matter

As at 30 June 2026, the value of Share Based Payments Reserve being $859,675 is disclosed in Note 12. In addition, during the year a share-based payment expense of $490,003 has been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
 	
The consolidated entity's accounting judgement and estimates in respect of share-based payments is outlined in Note 1 (b) and Note 12.
 	
Significant judgement is required in relation to:
 	
• The valuation method used in the model; and
• The assumptions and inputs used within the model.
	Our work included, but was not limited to, the following procedures:
	
	• Reviewed the valuations of the equity instruments issued, including:
	  ○ assessing the experience, independence and qualifications of independent valuation experts utilised for various valuations;
	  ○ assessing the appropriateness of the valuation method used; and
	  ○ assessing the reasonableness of the assumptions and inputs used within the valuation models.
	• Reviewed Board meeting minutes and ASX announcements as well as enquired of relevant personnel to ensure all share-based payments had been recognised;
	• Assessed the allocation and recognition to ensure these are reasonable; and
	• Assessed the appropriateness of the related disclosures in Notes 1(b) and 12.

PKF

Valuation and existence of inventory

Why significant	How our audit addressed the key audit matter
As at 30 June 2026, the carrying value of inventory was $180,744, as disclosed in Note 9. The consolidated entity's accounting policy in respect of inventory is outlined in Note 1 (b) and Note 1 (g). This was considered a key audit matter: - • as the inventory costing and net realisable value ("NRV") calculations requires judgement in relation to estimating future selling prices, future processing costs and related selling costs; and • due to the significant value of the balance.	Our work included, but was not limited to, the following procedures: • Agreed inventory cost to supporting invoices and agreements • Assessed the NRV of inventory against the requirements of the Australian Accounting Standard 102 *Inventories*, including comparing managements estimated future selling prices to historical sales prices, and sales subsequent to the reporting date • obtained third-party inventory confirmations from external warehouses to verify the existence. • Assessed the adequacy of the related disclosures in Note 1 (b), 1 (g) and 9 to the financial report.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2026, 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, with the exception of the Remuneration Report.

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 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 Act2001; and

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

i) 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
ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 consolidated entity's internal control.

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

- 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 consolidated entity'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 consolidated entity 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.

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

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

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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2026.

In our opinion, the Remuneration Report of Algorae Pharmaceuticals Limited for the year ended 30 June 2026, complies with section 300A of the Corporations Act 2001.

PKF

Responsibilities

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

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

31August 2026
PERTH,
WESTERN AUSTRALIA

Additional information for listed public companies

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 21 August 2026.

Securities Exchange

The Company is listed on the Australian Securities Exchange.

Substantial shareholders

The Company has no substantial shareholders.

Number of Holders in Each Class of Equity Securities

There are 2,940 holders of ordinary shares, 366 holders of unlisted options, and 6 holders of performance rights.

Voting Rights

Every member present at a meeting in person or by proxy shall have one vote for each share, conducted via a poll. There are no voting rights attached to any class of options and performance rights that are on issue.

Distribution of Shareholders – Fully Paid Ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	186	46,003	0.00%
above 1,000 up to and including 5,000	335	1,025,999	0.05%
above 5,000 up to and including 10,000	275	2,236,485	0.11%
above 10,000 up to and including 100,000	1,211	53,628,241	2.65%
above 100,000	933	1,970,634,260	97.19%
Totals	**2,940**	**2,027,570,988**	**100.00%**

Unmarketable Parcel

The number of shareholdings held in less than a marketable parcel of ordinary shares is 1,524 based on a share price of $0.011 per share.

Restricted Securities

The following are restricted securities under escrow at the date of this report.

Shares Escrow Expiry Date	No. of Shareholders	No. of Shares	% Issued Share Capital
25 November 2026	1	500,000	0.02%

On-Market Buy-Back

At the date of this report, there is no on-market buy-back of the Company's securities.

Additional information for listed public companies

Twenty Largest Holders – Fully Paid Ordinary Shares

Rank	Holder Name	Holding	% IC
1	MS CHUNYAN NIU	88,000,000	4.34%
2	CITICORP NOMINEES PTY LIMITED	84,337,128	4.16%
3	EZR SYSTEMS PTY LTD	71,972,331	3.55%
4	AAL INVESTMENT HOLDINGS PTY LTD	65,230,832	3.22%
5	MR BRADLEY DILKES *(including his associated holdings)*	52,150,000	2.57%
6	EST MR BRIAN PETER BYASS	49,685,808	2.45%
7	BROWNARROWS PTY LTD <EJM A/C>	42,000,000	2.07%
8	ASP CAPITAL MANAGEMENT PTY LTD <ABG FAMILY A/C>	41,678,099	2.06%
9	MR TROY VALENTINE *(including his associated holdings)*	39,650,000	1.96%
10	MR GREGORY JOHN HOWLETT *(including his associated shareholdings)*	37,000,000	1.82%
11	BNP PARIBAS NOMINEES PTY LTD	35,487,013	1.75%
12	MR BIN LIU	32,605,200	1.61%
13	SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/F A/C>	30,125,000	1.49%
14	MR ANTHONY THEODORE PALASSIS	28,000,000	1.38%
15	MR DAVID HAINSWORTH *(including his associated shareholdings)*	25,937,500	1.28%
16	OTSUKA PHARMACEUTICAL FACTORY INC	25,000,000	1.23%
17	MALCORP (AUST) PTY LTD <MALYNIAK SUPER FUND A/C>	22,478,125	1.11%
18	MR BRADLEY LATHAM	20,000,000	0.99%
19	ROCKAWAY PTY LTD <ROCKAWAY S/F A/C>	19,640,906	0.97%
20	MR LOUIS EDWARD TUTTLE	19,528,842	0.96%

Additional information for listed public companies

Unquoted Securities on Issue

Class	Number of Holders	Quantity on Issue	Holding >20%	
			Holder Name	Holding
1AIPRC Performance Rights Expiring 1 September 2026	1	5,000,000	MR BRADLEY LATHAM	5,000,000
1AIPRD Performance Rights Expiring 1 September 2026	1	5,000,000	MR BRADLEY LATHAM	5,000,000
1AIPR1 Performance Rights Expiring 27 October 2027	1	10,000,000	MR DAVID HAINSWORTH	10,000,000
1AIPR2 Performance Rights Expiring 27 October 2027	1	10,000,000	MR DAVID HAINSWORTH	10,000,000
1AIPR4 Performance Rights Expiring 31July 2028	3	25,000,000	MR VISHAL YOGESHKUMAR SHAH	10,000,000
			MR DAVID GULLAND	10,000,000
			MR WALED ELSAYED	5,000,000
1AIPR5 Performance Rights Expiring 31July 2029	3	37,500,000	MR VISHAL YOGESHKUMAR SHAH	15,000,000
			MR DAVID GULLAND	15,000,000
			MR WALED ELSAYED	7,500,000
1AIPR6 Performance Rights Expiring 31July 2030	3	37,500,000	MR VISHAL YOGESHKUMAR SHAH	15,000,000
			MR DAVID GULLAND	15,000,000
			MR WALED ELSAYED	7,500,000
1AIPR7 Performance Rights Expiring 2 October 2029	2	15,000,000	MR DAVID HAINSWORTH	10,000,000
			MR BRAD LATHAM	5,000,000
1AIPR8 Performance Rights Expiring 2 October 2030	2	15,000,000	MR DAVID HAINSWORTH	10,000,000
			MR BRAD LATHAM	5,000,000
1AIPR9 Performance Rights Expiring 2 October 2029	2	15,000,000	MR DAVID HAINSWORTH	10,000,000
			MR BRAD LATHAM	5,000,000
1AIPR10 Performance Rights Expiring 30 April 2027	1	20,000,000	MR DAVID GULLAND	20,000,000
1AIPR11 Performance Rights Expiring 31 July 2027	1	20,000,000	MR WALED ELSAYED	20,000,000

FOR THE YEAR ENDED 30 JUNE 2026

Corporate directory

DIRECTORS

David Hainsworth
David Gulland
(appointed effective on 10 March 2026)
Troy Valentine
(appointed effective on 14 July 2026)
Bradley Latham
(resigned effective on 10 March 2026)
Bradley Dilkes
(resigned effective on 14 July 2026)

COMPANY SECRETARY

Geraldine Holland and Catherine Earlie
(appointed 1 July 2026)
Jennifer Voon
(resigned effective on 30 June 2026)

PRINCIPAL OFFICE AND REGISTERED OFFICE

Level 23, Rialto South Tower
525 Collins Street
Melbourne VIC 3000
Australia

SHARE REGISTER

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

AUDITOR

PKF Perth
Dynons Plaza, Level 8, 905 Hay Street, PERTH
WA 6000
PO Box 7206, Cloisters Square, WA 6850
Australia

SOLICITORS

Thomson Geer
Level 23, Rialto South Tower
525 Collins Street
Melbourne VIC 3000 Australia

BANKERS

National Australia Bank Ltd
Level 28, 395 Bourke Street
Melbourne VIC 3000
Australia

STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX code: 1AI)

WEBSITE

https://algoraepharma.com/

CORPORATE GOVERNANCE STATEMENT

https://algoraepharma.com/governance

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