Algorae Pharmaceuticals Limited

Consolidated Interim Financial Report
31 December 2024

Algorae Pharmaceuticals Limited

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Consolidated Financial Statements

Algorae Pharmaceuticals Limited

Directors' Report

31 December 2024

The directors present their report, together with the financial statements, on the consolidated entity consisting of Algorae Pharmaceuticals Limited ("Algorae", "the Company") and its controlled entities for the financial half year ended 31 December 2024.

1. General Information

Directors

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

David Hainsworth
Bradley Dilkes
Bradley Latham

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

2. Business Review

(a) Operating results

The consolidated comprehensive loss after tax for the half year amounted to $636,726 (2023 loss: $1,458,398). This was attributable to:

- Research and development costs to progress the Company's research programs, including AI-116 for dementia, AI-168 for cardiovascular disease, NTCELL for Parkinson's disease and Algorae Operating System ('AlgoraeOS'), a proprietary artificial intelligence ('AI') enabled drug discovery platform in partnership with the University of New South Wales ('UNSW').

- General working capital, other administration costs and one-off costs associated with redundancies in the business, which serve to streamline the company's operations and optimise cashflow.

(b) Review of operations

Algorae is a pharmaceutical development company with three drug candidates and a proprietary AI biopharmaceutical prediction platform under ongoing development. Algorae's therapeutic pipeline comprises AI-116 for dementia, AI-168 for cardiovascular disease and NTCELL for Parkinson's disease.

Development of Algorae AI Operating System with UNSW

During the first half of FY2024, Algorae executed an agreement with UNSW to develop a proprietary AI enabled platform for biopharmaceutical prediction of combination drug targets for any medication condition.

2. Business Review (continued)

(b) Review of operations (continued)

In September of 2024, Algorae successfully launched version 1.0 of the AlgoraeOS AI enabled fixed dose combination ('FDC') drug prediction platform. The platform was launched on schedule, achieving a Technology Readiness Level ('TRL') of 3+.

AlgoraeOS integrates four proprietary AI neural networks to analyse vast datasets, predicting FDC drug targets. It operates on the 'Gadi' supercomputer, managed by National Computational Infrastructure ("NCI Australia"), which has previously been utilised for projects like climate modelling and natural disaster prediction.

AlgoraeOS predicts AI-generated and AI-enhanced drug targets and is intended to build-up a valuable and diversified therapeutic development pipeline for the Company. Ongoingly, insights from the AI platform will enhance the development of those drug targets. Algorae also intends to seek licensing, development and commercialisation partnerships over the drug targets it generates.

In November of 2024, Algorae announced that it finalised the selection of its initial catalogue of AI-generated drug targets. Following analysis of commercial and intellectual property potentiality, Algorae will undertake preclinical studies in twenty-four [24] wholly owned new FDC drug targets. Discussions with an Australian-based pharmaceutical drug laboratory are underway to complete these studies. The Company's new drug targets are applicable to a range of oncology medical indications with significant unmet need, including breast cancer, lung cancer, leukaemia and glioblastoma, among others.

Version 2.0 of AlgoraeOS is under development at UNSW AI Institute and is anticipated to have expanded predictive capabilities leading to additional FDC drug targets. It is due for delivery to the company in 2025.

Algorae is an industry participant to the Next Generation AI Graduate Program ('NGAIGP'), established and operated by Australia's national science agency, CSIRO. Under the agreement, UNSW has recruited three PhD candidates for the purpose of advancing various components of AlgoraeOS.

The candidates are supervised and managed by lead investigator and AI expert, Associate Professor Fatemeh Vafaee, and Dr Muhammad Heydari, who is a full time post-doctoral officer assigned to the project. The hand-selected PhD candidates form part of the research and development team for the AlgoraeOS project and are co-funded by CSIRO and Algorae. CSIRO provides approximately 2/3rds of the funding required for the candidates, with Algorae providing approximately 1/3 of funding over the three-year term of the scholarships.

AI-116 Drug Candidate for Dementia

Preclinical studies associated with AI-116 were finalised at La Trobe University (LTU) during 1H 2025.

2. Business Review (continued)

(b) Review of operations (continued)

AI-116 is Algorae's patent pending FDC drug candidate that comprises donepezil hydrochloride and cannabidiol to confer additional benefits over donepezil hydrochloride in the treatment of Alzheimer's disease and dementia. Donepezil Hydrochloride (i.e., Aricept) remains a first line treatment for Alzheimer's disease and was registered by the US Food and Drug Administration ('FDA') in 1996 for the symptomatic treatment of Alzheimer's disease, helping to improve cognitive function and quality of life for individuals with the condition. It is commonly prescribed off-label in the treatment of other neurodegenerative disorders, such as Parkinson's disease, vascular dementia and dementia with Lewy bodies. It belongs to a class of drugs known as AChE inhibitors, which work by increasing the level of acetylcholine, a neurotransmitter involved in memory and learning, in the brain. The market size for AChE inhibitors in 2024 is estimated to be approximately US$21B per annum and is driven by the rising prevalence of Alzheimer's disease.

Algorae has previously observed and reported that AI-116 outperformed donepezil hydrochloride *in vitro*, using a preclinical model of neuroprotection. A synergistic increase in neuroprotection was observed between the two active agents of AI-116, with their combined effect improving cell viability to a level 33% greater than what would be expected additively following exposure to amyloid β (Aβ) (as detailed in Figure 1).

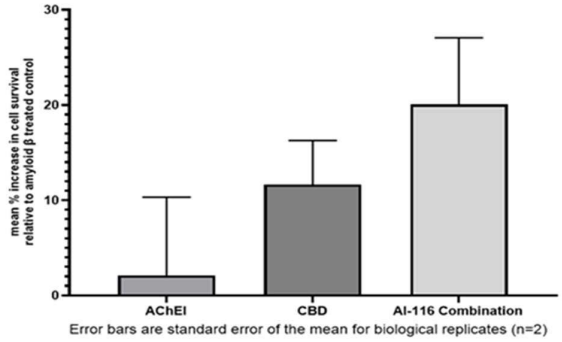

Figure 1. Average percentage increase in cell survival relative to amyloid β treated control cells. Zero is the benchmark for Aβ effected cells with no treatments, whereby cell viability was 65.5%. Cell viability increased by 2.1% to 67.6% for donepezil hydrochloride (marked as 'AChEI'), by 11.6% to 77.1% for CBD and by 20.1% to 85.6% for AI-116.

At the time of reporting the results detailed in Figure 1., Principal Investigator, Professor Garrie Arumugam, said, *"These preliminary in vitro results are very promising, showing a clear pattern of neuronal cell protection and synergistic method of action. I am eager to further investigate the implications of these findings and how they could pave the way for new insights and potentially advancements in drug development."*

2. Business Review (continued)

(b) Review of operations (continued)

Algorae completed additional preclinical assessments of glutamate toxicity during the HY2025. Elevated glutamate in neuroblastoma cells significantly contribute to the progression of dementia through mechanisms involving excitotoxicity, oxidative stress, neuroinflammation, synaptic dysfunction, and the interplay with Aβ and tau pathology. These processes are neurotoxic, ultimately resulting in cognitive decline and memory impairment that is indicative of dementia.

In vitro assays compared cell viability in the presence of abnormal glutamate following treatment with AI-116. Relative to glutamate-only treated control cells, AI-116 restored a mean of 53% of total relative cell viability, which exceeded the effect of either CBD or donepezil alone (Figure 2). These results demonstrate that AI-116 reduces glutamate-induced toxicity *in vitro*.

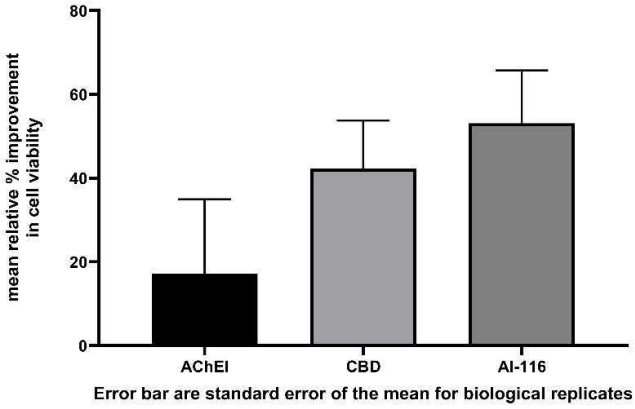

Figure 2. Average percentage increase in cell survival relative to glutamate treated control cells. Relative to the glutamate treated toxic control, donepezil (represented as AChEI) alone restored a mean of 17% of total relative cell viability, CBD alone restored a mean of 42% of total relative cell viability and AI-116 at the optimal dosages restored a mean of 53% of total relative cell viability.

This approach demonstrated that treatment with AI-116 can modulate the expression of genes associated with a range of neurodegenerative disorders and dementias, including Alzheimer's disease, vascular dementia, frontotemporal dementia, dementia with Lewy bodies, Parkinson's disease, amyotrophic lateral sclerosis (ALS), and traumatic brain injury, among others.

Taken together, these data provide further evidence of the neuroprotective effect of AI-116 following exposure to different neurotoxins, Aβ and elevated glutamate. Following these positive results, Algorae has commenced planning for a phase 2 proof of concept clinical trial to assess AI-116, including discussions with key opinion leaders in the fields of dementia and neurological disorders.

2. Business Review (continued)

(b) Review of operations (continued)

AI-168 Drug Candidate for Cardiovascular Disease

Preclinical studies associated with AI-168 were finalised at the Monash University Victorian Heart Institute Research Laboratories (Monash) during 1H 2025.

AI-168 is a fixed dose combination drug candidate that combines a cardio selective beta blocker with cannabidiol. Combining a cardio selective beta-blocker (such as bisoprolol or metoprolol) with cannabidiol (CBD) enhances the therapeutic effects of traditional beta blocker treatments. The performance of AI-168 was compared to beta blockers using well-established *in vitro* models of cardiovascular disease.

Three cardiovascular cell lines were used to assess the dysregulation of cell growth caused by cardiac stressors. In the first model, human umbilical vein endothelial cells (HUVECs) were treated with Angiotensin II ('AngII'). AngII is known to play a significant role in the pathophysiology of cardiovascular diseases. When HUVECs are grown the presence of AngII, there is a significant reduction in cell proliferation (Figure 1). While the addition of beta blocker alone did resolve some loss of cell proliferation, the AI-168 combination was able to effectively restore normal cell proliferation, with a relative improvement of approximately 94% from vehicle to control (healthy cells with no stressors or pharmaceutical intervention) (Figure 1).

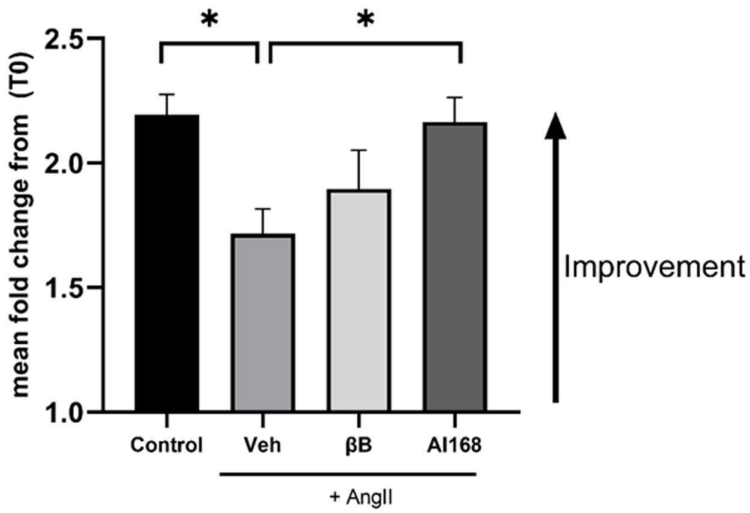

Figure 1. Proliferation of Human Umbilical Vein Endothelial Cells (HUVECs) treated with angiotensin II (AngII) for 48 hours. The y-axis reports the mean fold change in cell proliferation from time zero (T0) after 48 hours relative to the vehicle control. Treatments were, **Control** (no AngII), **Veh** (Vehicle with AngII only), **βB** (β blocker with AngII) and **AI-168** (β blocker & CBD, with Ang II). Error bars report Standard Error of the Mean. Significant differences were determined by ANOVA (*-P ≤ 0.05, **-P ≤ 0.01).

2. Business Review (continued)

(b) Review of operations (continued)

In the second model, human pulmonary artery smooth muscle cells (hPASMCs) were treated with platelet derived growth factor ('PDGF'). The aberrant activation of the PDGF signalling pathway has been demonstrated to drive progression of cardiopulmonary diseases. When hPASMCs are grown the presence of PDGF there is a significant increase in uncontrolled cell proliferation (Figure 2). In this model, the addition of the beta blocker alone had a minimal effect on PDGF-mediated cell proliferation, whereas AI-168 was able to restore cell proliferation to near normal levels, with a relative improvement (normalisation) of cell proliferation by approximately 80% from vehicle to control (Figure 2).

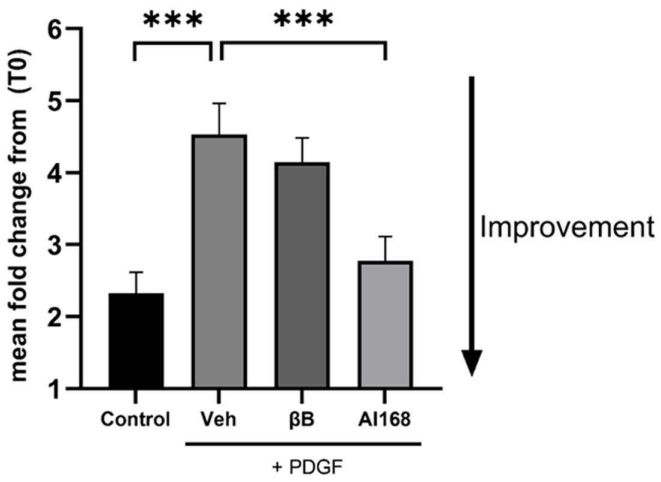

Figure 2. Proliferation of Human Pulmonary Artery Smooth Muscle Cells (hPASMCs) treated with Platelet derived growth factor (PDGF) for 48 hours. The y-axis reports the mean fold change in cell proliferation from time zero (T0) after 48 hours. Treatments were, **Control** (no PDGF), **Veh** (Vehicle with PDGF only), **βB** (β blocker with PDGF) and **AI-168** (β blocker & CBD, with PDGF). Error bars report Standard Error of the Mean. Significant differences were determined by ANOVA (*-P ≤ 0.05, **-P ≤ 0.01).

In the third model, rat cardiomyoblasts were treated with doxorubicin. Doxorubicin is an anthracycline, which is an important class of chemotherapeutic drugs used for the treatment of several types of cancer. A known adverse effect of anthracycline treatment is chemotherapy-induced cardiotoxicity, which can occur during or after the completion of treatment. In this model, doxorubicin was shown to be toxic to the cardiomyoblasts, causing cell death and/or significantly reducing cell proliferation (Figure 3). By contrast, AI-168 restored approximately 68% of the cardiomyoblast growth lost to doxorubicin toxicity.

2. Business Review (continued)

(b) Review of operations (continued)

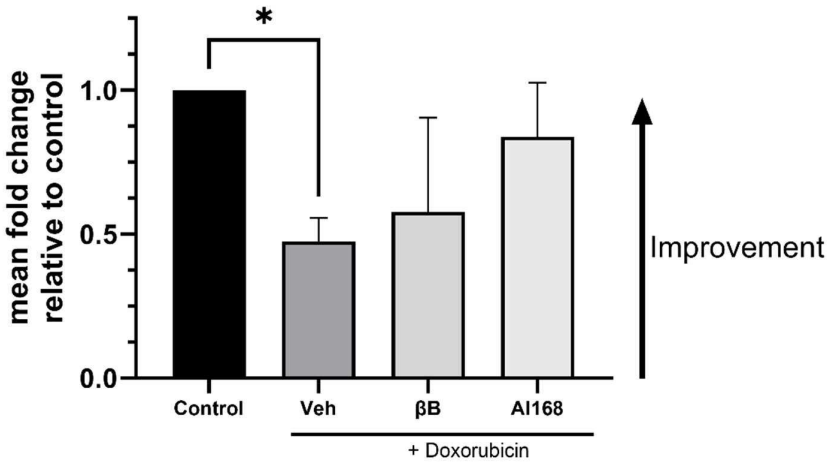

Figure 3. Proliferation of Rat Cardiomyoblast cells (H9C2) treated with doxorubicin (Dox) for 24 hours. The y-axis reports the mean fold change in cell proliferation relative to the control after 24 hours. Treatments were, **Control** (no Dox), **Veh** (Vehicle with Dox only), **βB** (β blocker with Dox) and **AI-168** (β blocker & CBD, with Dox). Error bars report Standard Error of the Mean. Significant differences were determined by ANOVA (*-P ≤ 0.05, **-P ≤ 0.01).

The results observed from these *in vitro* assays will be used to identify the most appropriate *in vivo* models of cardiovascular disease, which Algorae is evaluating in conjunction with the Monash researchers.

Intellectual Property Strategy

Algorae's global IP strategy includes pursuing patent protection in key markets including the United States, Europe, Japan and the UK. The Company continues to work closely with its patent attorneys to identify and protect any new IP that is generated from its R&D programs.

Algorae has filed international patent applications under the Patent Cooperation Treaty (PCT). International PCT Application No. PCT/AU2024/050791 and International PCT Application No. PCT/AU2024/051253 have been filed as part of Algorae's strategy to develop intellectual property assets that align with the Company's commercial interests. These applications have been filed to provide Algorae with the opportunity to pursue patent protection for assets AI-116 and AI-168 in a broad range of countries.

The international PCT patent application is not a granted patent. The processing of an international PCT patent application will result in the issuance of an International Search Report (ISR) and an International Search Opinion (ISO). These non-binding reports will provide the Company with some indication of the patentability of the subject matter claimed in the international PCT patent application.

2. Business Review (continued)

(b) Review of operations (continued)

NTCELL for Parkinson's Disease

During the first half of FY2025, Algorae continued to progress a scientific review of the NTCELL clinical trial protocol and development plan with a primary focus on assessing potential enhancements to the therapeutic value of NTCELL. The NTCELL scientific review is being overseen by the Company's chief scientific officer Dr James McKenna.

3. Financial Review

(a) Financial position

The net assets of the consolidated entity have decreased by $622,932 from $3,014,250 at 30 June 2024 to $2,391,318 as at 31 December 2024. The net asset decrease reflects the funds used to progress the Company's research programs and general operating activities.

(b) Cash from operations, investing and financing

Net cash outflow from operating activities decreased from $1,008,594 in the previous period to 31 December 2023 to $700,561 in the current period, due to cost reductions. Most of the funds were used to progress the Company's research programs.

4. Liquidity and funding

This interim financial report has been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of $652,716 (2023: $1,451,090) and incurred negative cash flows from operations of $700,561 (2023: $1,008,594).

As at 31 December 2024 the consolidated entity had $307,045 cash in bank and $2,100,000 term deposits, compared to $808,413 cash in bank and $2,300,000 term deposits at 30 June 2024. This balance is projected to allow the planned level of operations to continue for at least 12 months from the date of authorisation of this interim 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 are also aware that additional funding streams may need to be in place before year-end.

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.

In addition to announcements released on the ASX platform the Company encourages investors to review the homepage (https://algoraepharma.com/) together with the Company's social media channels (X and LinkedIn) to stay informed regarding Algorae's progress.

4. Liquidity and funding (continued)

Management prepares rolling cash flow projections that supports the ability of the consolidated entity to continue as a going concern. However, many external and internal factors may impact future cash flows, particularly within the current market.

The Directors are experienced in raising capital as required to support their research projects and operating activities.

5. Other Items

(a) Significant events

On 1 July 2024, Algorae announced the appointment of Ms Jennifer Voon as Company Secretary. Ms Voon is a Chartered Accountant with over a decade's experience in financial services, with a focus on capital markets and compliance.

On 24 September 2024, the Company announced that it successfully launched the AlgoraeOS platform. AlgoraeOS is wholly owned by Algorae and will undergo iterative improvements over the next 2.5 years, with version 2.0 development already underway. Pleasingly, initial system training indicated high prediction correlation of major synergy metrics (Bliss, Loewe and HSA) ranging from 0.91 – 0.98 "predicted" versus "actual" data, facilitating high confidence in the model.

On 18 November 2024, Algorae announced the cessation of the company's American Depositary Share Deposit Agreement, marking the end of trading of Algorae securities on the OTCQB in the United States. Terminating the program has simplified the company's capital structure, corporate operational activities and has reduced fixed costs.

On 21 November 2024, the Company announced that it had identified 24 wholly owned AI-generated drug targets to evaluate in preclinical studies, majorly expanding the Company's therapeutic pipeline. New drug targets show promise in a range of oncology medical indications, representing health markets with significant unmet need.

On 28 November 2024, Algorae announced the appointment of pharmaceutical executive Dr. Sarah Siggins to the Company's scientific advisory board. Dr. Siggins was appointed to provide strategic advice over potential commercial partnerships in AI-generated and other drug targets owned by the Company. Dr. Siggins brings 14+ years in the pharmaceutical industry, including senior roles at globally recognised company Johnson & Johnson Innovative Medicine.

(b) Subsequent events

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

5. Other Items (continued)

(c) Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the half year ended 31 December 2024 has been received and can be found on page 11 of the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the directors;

Dated at Melbourne on the 26th day of February 2025

Director:
David Hainsworth (Executive Chairman)

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ALGORAE PHARMACEUTICALS LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2024, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Algorae Pharmaceuticals Limited and the entities it controlled during the half year.

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

26 FEBRUARY 2025
BRISBANE

Algorae Pharmaceuticals Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year to 31 December 2024

	Note	31 Dec 2024 $	31 Dec 2023 $
Revenue			
Interest		59,974	50,581
Total revenue and other income		59,974	50,581
Expenses			
Research and development		(300,016)	(405,492)
Share-based payments	7	(13,794)	(743,603)
Governance		(279,120)	(246,075)
Administrative		(102,828)	(106,056)
Total expenses		(695,758)	(1,501,226)
Operating loss		(635,784)	(1,450,645)
Foreign exchange loss		(16,932)	(445)
Loss before income tax		(652,716)	(1,451,090)
Income tax expense		-	-
Loss after income tax		(652,716)	(1,451,090)
Other comprehensive income			
Exchange difference on translation of foreign operations		15,990	(7,308)
Other comprehensive income		-	-
Total comprehensive loss for the period		(636,726)	(1,458,398)
Earnings per share:			
From continuing operations:			
Basic loss per share (cents)	2	(0.04)	(0.09)
Diluted loss per share (cents)	2	(0.04)	(0.09)

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2024 Annual Report.

Algorae Pharmaceuticals Limited

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	31 Dec 2024 $	30 Jun 2024 $
ASSETS			
CURRENT ASSETS			
Cash		307,045	808,413
Term deposit		2,100,000	2,300,000
Trade and other receivables	4	49,615	42,777
Other assets	5	80,383	41,508
TOTAL CURRENT ASSETS		2,537,043	3,192,698
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		2,537,043	3,192,698
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		137,263	172,871
Short term provisions		8,462	5,577
TOTAL CURRENT LIABILITIES		145,725	178,448
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		145,725	178,448
NET ASSETS		2,391,318	3,014,250
EQUITY			
Share capital	6	81,540,801	81,540,801
Reserves		585,606	557,072
Accumulated losses		(79,735,089)	(79,083,623)
TOTAL EQUITY		2,391,318	3,014,250

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2024 Annual Report.

Algorae Pharmaceuticals Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2024

31 December 2024

	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 attributable to members of the entity	-	(652,716)	-	-	(652,716)
Total other comprehensive income	-	-	15,990	-	15,990
Total comprehensive loss for the period	**-**	**(652,716)**	**15,990**	**-**	**(636,726)**
Transactions with owners in their capacity as owners					
Share-based payments	-	-	-	13,794	13,794
Expired options	-	1,250	-	(1,250)	-
Balance at 31 December 2024	**81,540,801**	**(79,735,089)**	**18,822**	**566,784**	**2,391,318**

31 December 2023

	Ordinary Shares $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share-based Payment Reserve $	Total $
Balance at 1 July 2023	80,239,229	(80,728,064)	3,614,015	636,923	3,762,103
Loss attributable to members of the entity	-	(1,451,090)	-	-	(1,451,090)
Total other comprehensive income	-	-	(7,308)	-	(7,308)
Total comprehensive loss for the period	**-**	**(1,451,090)**	**(7,308)**	**-**	**(1,458,398)**
Transfer within equity of amounts related to foreign operation disposed of in 2018	-	3,619,860	(3,619,860)	-	-
Transactions with owners in their capacity as owners					
Shares issued during the period	562,500	-	-	-	562,500
Transactions costs	(27,184)	-	-	-	(27,184)
Share-based payments	746,500	-	-	26,530	773,030
Options exercised	7,125	-	-	-	7,125
Options paid	305	-	-	-	305
Balance at 31 December 2023	**81,528,475**	**(78,559,294)**	**(13,153)**	**663,453**	**3,619,481**

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2024 Annual Report.

Algorae Pharmaceuticals Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2024

	31 December 2024 $	31 December 2023 $
Cash from operating activities:		
Payments to suppliers and employees	(766,135)	(1,039,717)
Interest received	65,574	31,123
Net cash used in operating activities	(700,561)	(1,008,594)
Cash from investing activities:		
Receipt of term deposit	200,000	2,022,560
Investment in term deposit	-	(3,000,000)
Net cash (used in)/provided by investing activities	200,000	(977,440)
Cash flows from financing activities:		
Net proceeds from issuing shares and options	-	513,545
Proceeds from exercise of options	-	7,125
Net cash provided by financing activities	-	520,670
Net decrease in cash	(500,561)	(1,465,364)
Cash at beginning of period	808,413	2,088,514
Exchange rate changes on cash	(807)	(704)
Cash at the end of the period	307,045	622,446

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2024 Annual Report.

Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the half year to 31 December 2024

1. Material accounting policy information

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2024 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards AASB 134 Interim Financial Reporting.

The financial report covers the consolidated entity of Algorae Pharmaceuticals Limited ("the Company", formerly Living Cell Technologies Limited) and its controlled entities. The financial report has been presented in Australian dollars, the consolidated entity's presentation currency. The report consists of the financial statements, notes to the financial statements and the directors' declaration.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report made by Algorae Pharmaceuticals Limited for the year ended 30 June 2024 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2024, except for any new, revised or amended accounting standard and interpretation adopted in note 1(d).

(b) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts in the financial statements. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

Share-based payment transactions

The consolidated entity 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. Refer to Note 7 for further information.

(c) Going concern

This interim financial report has been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of $652,716 (2023: $1,451,090) and incurred negative cash flows from operations of $700,561 (2023: $1,008,594).

(c) Going concern (continued)

As at 31 December 2024 the consolidated entity had $307,045 cash in bank and $2,100,000 term deposits, compared to $808,413 cash in bank and $2,300,000 term deposits at 30 June 2024. This balance is projected to allow the planned level of operations to continue for at least 12 months from the date of authorisation of this interim 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 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.

(d) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity 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. There was no material impact on the interim financial report from the adoption of these new accounting standards.

2. Losses per share

The following reflects the income and share information used in the calculation of basic and diluted losses per share:

	31 Dec 2024	31 Dec 2023
Losses used to calculate basic EPS	$(652,716)	$(1,451,090)
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	1,687,394,731	1,639,786,804
(Loss) per share (cents)	(0.04)	(0.09)
Diluted (loss) per share (cents)	(0.04)	(0.09)

3. Net assets backing

	31 Dec 2024	30 Jun 2024
Net tangible assets per ordinary share (cents per share)	0.14	0.18

4. Trade and other receivables

	31 Dec 2024 $	30 Jun 2024 $
Accrued interest	22,479	28,972
Other receivables	27,136	13,805
Total	49,615	42,777

5. Other assets

	31 Dec 2024 $	30 Jun 2024 $
Prepayments	80,383	41,508
Total	80,383	41,508

6. Share capital

	31 Dec 2024 Shares	30 Jun 2024 Shares	31 Dec 2024 $	30 Jun 2024 $
Ordinary shares – fully paid	1,687,394,731	1,687,394,731	81,540,801	81,540,801

7. Share-based payments

During the period, the Company granted 40,000,000 performance rights to directors (performance rights Tranche A and Tranche B as in below table). Set out below is a summary of outstanding performance rights granted:

	Tranche A		Tranche B		Tranche C	Tranche D
Holder(s)	Hainsworth	Dilkes	Hainsworth	Dilkes	Latham	Latham
Valuation methodology	Monte Carlo		Black Scholes		Monte Carlo	Black Scholes
Grant date	25-Oct-24	25-Oct-24	25-Oct-24	25-Oct-24	2-Nov-23	2-Nov-23
Vesting date	Upon satisfaction of market condition		Upon satisfaction of performance condition		Upon satisfaction of market condition	Upon satisfaction of performance condition
Expiry date	26-Oct-27	26-Oct-27	26-Oct-27	26-Oct-27	1-Sep-26	1-Sep-26
Share price at grant date ($)	0.006	0.006	0.006	0.006	0.014	0.014
Exercise price ($)	nil	nil	nil	nil	nil	nil

7. Share-based payments (continued)

	Tranche A		Tranche B		Tranche C	Tranche D
Risk-free rate (%)	3.833	3.833	3.833	3.833	4.216	4.216
Volatility (%)	90	90	90	90	90	90
Fair value per performance right granted ($)	0.0036	0.0036	0.006	0.006	0.016	0.014
No. of performance rights granted	10,000,000	10,000,000	10,000,000	10,000,000	5,000,000	5,000,000
Fair value ($)	35,703	35,703	60,000	60,000	58,066	70,000
No. of performance rights that vested and converted to ordinary shares during the period	-	-	-	-	-	-
Expensed during the period ($)	2,213	2,213	-	-	9,368	-

8. Segment reporting

The consolidated entity operates both in Australia and New Zealand being the research and development and product development into Algorae Pharmaceuticals Limited.

9. Subsequent events

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

10. Company details

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

Algorae Pharmaceuticals Limited

Directors' Declaration

The directors of Algorae Pharmaceuticals Limited declare that:

(a) The financial statements and notes, as set out on pages 12 to 19 are in accordance with the Corporations Act 2001 including that they:

(i) give a true and fair view of the financial position as at 31 December 2024 and the performance for the half year ended on that date of the consolidated entity; and

(ii) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory reporting requirements.

(b) 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, and is signed for and on behalf of the directors.

Dated at Melbourne on the 26th day of February 2025

David Hainsworth

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Director

PKF Brisbane Audit
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Australia

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ALGORAE PHARMACEUTICALS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Algorae Pharmaceuticals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Algorae Pharmaceuticals Limited is not in accordance with the *Corporations Act 2001* including:-

(a) giving a true and fair view of the Group's financial position as at 31 December 2024, and of its financial performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

26 FEBRUARY 2025
BRISBANE