

InhaleRx Limited
Appendix 4E

1. Company details

Name of entity:	InhaleRx Limited
ACN:	611 845 820
Reporting period:	For the year ended 31 December 2024
Previous period:	For the year ended 31 December 2023

2. Results for announcement to the market

			\$
Loss from ordinary activities after tax attributable to the owners of InhaleRx Limited	down	16.2% to	(1,209,373)
Loss for the year attributable to the owners of InhaleRx Limited	down	16.2% to	(1,209,373)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,209,373 (31 December 2023: \$1,443,271).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.03)	0.35

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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

11. Attachments

Details of attachments (if any):

The Annual Report of InhaleRx Limited for the year ended 31 December 2024 is attached.

12. Signed



Signed _____

Date: 28 March 2025

InhaleRx Limited
Corporate directory
31 December 2024

Directors	Sean Williams Dr Ronald Wise Tony Fitzgerald
Company secretaries	James Barrie
Registered office	Level 9, 505 Little Collins Street Melbourne VIC 3000
Principal place of business	Level 9, 505 Little Collins Street Melbourne VIC 3000
Share register	Automic Legal Pty Ltd Level 5 126 Phillip Street, Sydney NSW 2000 Ph : 03 9415 5000
Auditor	RSM Australia F27 120 Collins Street Melbourne VIC 3000
Stock exchange listing	InhaleRx Limited shares are listed on the Australian Securities Exchange (ASX code: IRX)
Corporate Governance Statement	Refer to inhalerx.com.au

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the Annual Report of InhaleRx Limited ('**IRX**' or '**Company**') for the financial year ended 31 December 2024.

During 2024, IRX continued to develop its portfolio of unique inhaled medications, with the Company preparing for the commencement of a Phase 2 clinical trial for its Breakthrough Cancer Pain ('**BTcP**') medication, IRX-211 and Phase 1 clinical trial for Panic Disorder ('**PD**') medication, IRX-616a.

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

IRX's novel drug device combinations target the treatment of BTcP and PD with the objective of helping to improve the quality of life of sufferers of these diseases. These medications will be delivered via a pressurised metered dose inhaler ('**pMDI**') in a fixed dose, providing a convenient and effective mode of administration.

Clendon Biotech Capital Facility Agreement

The Company's ability to advance and accelerate its progress in its clinical development plans for IRX-211 and IRX-616a was given a significant boost on 18 October 2024 with the announcement of a \$38.5 million debt facility provided by Clendon Biotech Capital ('**Clendon**'). This facility will fully cover the clinical trial costs, including the associated non-clinical work and trial drug manufacturing costs for the IRX-211 and IRX-616a drug development plans through to the completion of Phase 2 clinical trials.

The funding agreement is expected to allow the Company to reach the Phase 3 pivotal stage for both IRX-211 and IRX-616a within the next 2-3 years. This partnership ensures that InhaleRx can move forward with the next stages of its clinical trials and non-clinical work.

Under the funding facility arrangements, IRX will utilise Research & Development Taxation Incentive ('**RDTI**') forward funding which allows for early access to RDTI proceeds, with these proceeds to be applied to the reduction of the Clendon loan facility. This will both reduce the overall loan balance and accrued interest costs with the result that the loan facility is expected to operate at levels well below the headline \$38.5m facility limit.

As part of the funding arrangement, Clendon was issued with 38,449,145 options. These options provide a mechanism for the repayment of the Clendon facility loan. The options, which in number equate to approximately 20% of the total ordinary shares on issue as at the date of the facility agreement (18 October 2024), have a vesting window which aligns with the completion of the phase 2 clinical programs for each of IRX-211 and IRX-616a. IRX's objective is to ensure that the value of these medications as phase 3 ready assets is properly reflected in IRX's share price at the time that the options vest, given that the vesting price of the options is based on a 10% discount to IRX's 90 day volume weighted average share price.

IRX211

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

Managing BTcP is challenging because its rapid onset and intensity often make standard pain control strategies insufficient. While opioids are the mainstay of conventional cancer pain management, their use carries risks such as tolerance, dependence, and adverse effects. Therefore, there is a significant opportunity for effective, rapid-onset, non-opioid treatments to address BTcP in this vulnerable patient population.

IRX received the Clinical Study Report for its Phase 1 clinical trials during 2024 which confirmed the safety of the drug in healthy volunteers. The Company also received Human Research Ethics Committee ('**HREC**') approval for a Phase 2 clinical trial in November 2024.

As part of the Clendon loan facility negotiations, the Company was encouraged to give consideration to increasing the scale of the Phase 2 trial (above that which was approved by HREC) with a view to improving the statistical significance of the trial so that the Phase 2 data would be more meaningful. This, in turn, has the potential to reduce the time and cost involved of future clinical trials (eg Phase 3 and beyond) and provides the possibility of a faster pathway to an NDA.

The revised trial design resulted in the need for an additional tender for the appointment of a Contract Research Organisation ('CRO') to oversee the study. The result of the tender was confirmed by shareholder approval of the appointment of Ingenu CRO Pty Ltd ('Ingenu') on 6 March 2025. The Company has now executed a Study Order with Ingenu and is presently arranging for the manufacture of the requisite trial drugs, with patient recruitment to commence over the coming months. An up-dated HREC application covering the modification to the study design will also be submitted shortly.

IRX616a

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

During the year, the Company lodged an IND submission with the FDA in an attempt to fast track the development of IRX-616a. Whilst this submission was ultimately declined and a clinical hold applied, a detailed review of the feedback from the FDA in relation to the clinical hold identified that the only material issues of concern were largely related to the absence of non-clinical data in support of the application. Furthermore, this non-clinical data is both complex and expensive to obtain as it involves the administration of inhaled medication and will likely need to be conducted outside Australia. These requirements have now been incorporated into the Company's clinical development program for IRX616a as covered under the Clendon funding arrangements with the intention that the requisite data will be generated during the course of the program.

It should be noted that the IND submission was based on a separate study and was deliberately designed to be specifically differentiated from the planned phase 1 and 2 trials to be conducted by IRX in Australia for IRX-616a. Accordingly, the clinical hold is not expected to impact on the proposed development program for IRX-616a, with the Company recently finalising a tender process for the appointment of a CRO to oversee the Phase 1 study.

Following shareholder approval of Ingenu as the CRO for the study on 6 March 2025, the Company is currently focussed on ensuring that the requisite trial drugs are manufactured so that healthy volunteer recruitment can commence. A Study Order is in the process of being finalised with Ingenu, with a HREC application expected to be submitted once approved by the trial site (Cmax in Adelaide).

IRX holds an approved innovation patent and has lodged an Australian provisional patent application for the treatment of BTcP with the Australian Patent Office. The Company has also drafted a provisional patent application for IRX616a, which will be lodged in the lead up to the commencement of the Phase 1 clinical trial.

The financial loss for the consolidated entity after providing for income tax and non-controlling interests amounted to \$1,209,373 down 16% compared to previous period (31 December 2023: \$1,443,271). This loss largely reflects the research and development ('R&D') expenditure associated with the Company's clinical trial programmes of \$622,097 (31 December 2023: \$1,448,185). Revenue for the year was \$559,676 and related to the Company's RDTI entitlement compared to the previous period of \$1,206,075.

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

Finally, I would also like to thank our loyal shareholders for their continued support over the year. Your Board looks forward to an exciting and productive 2025 and to keeping everyone informed of developments as they occur.



Sean Williams
Chairman

InhaleRx Limited
Directors' report
31 December 2024

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of InhaleRx Limited (referred to hereafter as 'IRX', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2024.

Directors

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

Sean Williams – Non-Executive Chairman

Dr Ronald Wise – Non-Executive Director (appointed 28 November 2024)

Tony Fitzgerald – Non-Executive Director (appointed 6 February 2025)

James Barrie - Non-Executive Director (appointed 1 March 2024 and resigned 6 February 2025)

Dr John Crock – Non-Executive Director (resigned 1 March 2024)

Dr Andrew Saich – Non-Executive Director (resigned 28 November 2024)

Principal activities

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

Our Business Model and Objectives

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

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

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

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,209,373 (31 December 2023: \$1,443,271).

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

Significant changes in the state of affairs

During the year the company issued a total 5,711,387 fully paid ordinary shares to settle fees payable to key management personnel valued at \$175,790. The company also issued 17,969,880 fully paid ordinary shares valued at \$281,765 upon the conversion of notes.

Matters subsequent to the end of the financial year

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.

Likely developments and expected results of operations

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

Business risks

The consolidated entity's material business risks are outlined below:

- The risk that IRX's drug-device combinations for the treatment of pain and anxiety do not prove to be sufficiently safe or efficacious as to satisfy the registration requirements of the US Food and Drug Administration in order to secure a New Drug Approval;
- While the company is targeting medical conditions for which there are currently unmet needs (relative to current available treatments), there is a risk that new drugs enter the pain and anxiety markets which will limit the commercial opportunities for IRX's drug device combinations treatments; and
- The company is unable to raise sufficient debt or capital resources to adequately fund its drug-device development program through to the commercialisation stage as well as meeting its corporate and administration costs.

IRX management has developed a risk management plan which is reviewed and up-dated regularly with a view to ensuring the company has adequate risk mitigation and management processes in place. The risk management plan is reviewed by the IRX board at least once every 6 months.

Environmental regulation

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

Information on directors

Name:	Sean Williams
Title:	Non-Executive Chairman
Qualifications:	Sean graduated from Swinburne University with a Bachelor's Degree in Business (accounting) and was admitted to the Institute of Chartered Accountants in Australia and New Zealand in 1993.
Experience and expertise:	Sean has over 30 years experience in senior executive and finance roles across the pharmaceutical, healthcare, investment management and supply chain sectors. Having commenced his career with an international accounting firm, Sean has held a number of senior roles including General Manager, Finance for Symbion Pharmacy (Australia's largest pharmaceutical wholesaler). He also headed up Symbion's market leading hospital pharmacy and dental divisions and was responsible for Independent Pharmacy Solutions (a short-line wholesale business). Sean has worked as an investment director in private equity and as a senior executive in private equity backed ventures. He has also led management buy-outs and been involved in founding start-up businesses within the supply chain sector. Most recently, Sean was CEO of a \$500m investment management business specialising in Australian agricultural investments.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	941,143 fully paid ordinary shares
Interests in options:	6,000,000 options over ordinary shares

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

InhaleRx Limited
Directors' report
31 December 2024

Name:	Dr Ronald Wise
Title:	Non Executive Director (appointed 28 November 2024)
Experience and expertise:	Dr Ronald Wise holds a PhD (Plasma Proteins of Neonatal Animal) and a B Sc from the University of Western Australia ('UWA'). He completed 4 years post-doctoral research in the USA at Florida State University and Stanford University. He then lectured at UWA in the Department of Biochemistry for 2 years, followed by research at Princess Margaret Children's Hospital in WA. Ron then became involved in mineral exploration and was Chairman of companies responsible for discovering the Woodada Gas Field and the Mt Percy Gold Mine. In recent times he has been involved as Chairman and co-founder of Selvax Pty Ltd, an immunotherapy drug development company, which is expanding on work carried out by the team of Dr Delia Nelson at Curtin University.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	2,292,985 fully paid ordinary shares
Interests in options:	Nil
Name:	Andrew Saich
Title:	Non-Executive Director (resigned 28 November 2024)
Qualifications:	Andrew is a UK trained physician with a degree in physiology and a degree in medicine from the University of London, who completed his post-graduate Royal College of Physicians examinations and specialised in Emergency Medicine.
Experience and expertise:	Andrew joined the pharmaceutical industry over 20 years ago. He has worked in both large and small pharmaceutical companies and has extensive experience of international management, medicines commercialisation and pharmaceutical R&D. Andrew is currently Chief Medical Officer of Sapient Therapeutics, an early-stage UK pharmaceutical company and a co-founder of Diligenc. Capital, a cannabinoid prescription medicines investment group and Diligenc. Pathways, a consultancy comprising senior cannabinoid specialists from the ex-GW Pharmaceuticals team. In 2016 Andrew created and led the GW Pharmaceuticals International Medical organisation in preparation for the launch of Epidyolex (cannabidiol) for the treatment of rare and debilitating drug resistant epilepsies. GW Pharmaceuticals (acquired by Jazz Pharmaceuticals) was the world leader in the development of cannabinoid medicines and Andrew was a senior member of the international management team, the strategic launch team, the Clinical Development Committee and the Corporate Drug Safety team.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A
Name:	James Barrie
Title:	Non-Executive Director (appointed 1 March 2024 and resigned 6 February 2025)
Qualifications:	B. Business, GAICD, Dipl InvRel (AIRA)
Experience and expertise:	James is a professional director and company secretary. He was appointed Company Secretary on 3 August 2023 and as a Non-Executive Director on 1 March 2024. His strength and expertise are driven by his extensive career and background across various industry sectors including various roles in pharmaceuticals, from start-ups to ASX 20. James provides the Board independent advice and expertise across various governance and corporate responsibility requirements required of an ASX-listed company. James' skills include corporate governance, share registry, employment plans, treasury, capital management, accounting, commercial analysis, mergers and acquisitions, strategy, stakeholder relations and business development. He is also the company secretary and/or a director of several other ASX, NSX or unlisted companies.
Other current directorships:	Boadicea Resources Limited (ASX: BOA), HITIQ Limited (ASX: HIQ) and Phoenician International Limited (NSX: PHI).
Former directorships (last 3 years):	Nil
Interests in shares:	N/A
Interests in options:	N/A

InhaleRx Limited
Directors' report
31 December 2024

Name:	Tony Fitzgerald
Title:	Non-Executive Director (appointed 6 February 2025)
Qualifications:	Tony is a Life Sciences entrepreneur, technologist and company director with extensive multi-country experience in private and public companies. He holds a Bachelor of Arts, Bachelor of Jurisprudence and Bachelor of Laws from the University of WA and a Master of Public Administration (Public Finance) from California State University, Fullerton.
Experience and expertise:	Currently the CEO of molecular diagnostics company Avicena Systems Limited, Tony adds significant skills and experience to the board, including as founder of ASX listed medical AI imaging company Resonance Health and cancer immunology company Selvax Pty Ltd, both of which are medical technology spin outs from major Australian universities. Tony was also Co-Founder of the Alerte group of AI technology companies including Alerte Digital Health and Singulariti Systems, and Avicena Systems Limited, the molecular diagnostics company that was named best Australian tech startup of the year in the 2021 national iAwards. He has successfully concluded an echocardiogram data licensing transaction for Alerte that enabled the later spin out of the Echo IQ technology to ASX listed Echo IQ Limited. Tony is highly experienced in appraising and negotiating a variety of acquisitions, mergers and divestments and strategic partnering transactions in the life sciences, technology and resource related sectors (domestic and cross-border). He has also undertaken public listings and capital raisings for companies in the life sciences, pharmaceutical distribution, artificial intelligence, agri-business, heavy engineering and resource sectors. In addition, he has represented two major resource infrastructure projects in high level government negotiations (Australia, Korea and China) and has served as director of various public companies over a twenty-five-year period.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	Nil

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

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2024, and the number of meetings attended by each director were:

	Full Board Attended	Held
Sean Williams	12	12
James Barrie	10	10
Dr Andrew Saich	10	10
Dr John Crock	2	2
Dr Ronald Wise	2	2

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

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

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

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

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

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

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

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

Executive remuneration

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- short-term performance incentives
- other remuneration such as superannuation and long service leave

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

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

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

Performance-based remuneration

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

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

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

Consolidated entity performance and link to remuneration

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

Use of remuneration consultants

No remuneration consultant was engaged to assess remuneration this period.

Voting and comments made at the company's 2023 Annual General Meeting ('AGM')

At the 30 May 2024 AGM, 99.89% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2023.

Details of remuneration

Amounts of remuneration

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

InhaleRx Limited
Directors' report
31 December 2024

	Short-term benefits			Post-employment benefits	Post employment benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Shares issued \$	Super-annuation \$	Termination \$	Equity-settled \$	
2024							
<i>Non-Executive Directors:</i>							
S Williams	60,266	-	24,815	-	-	24,635	109,716
Dr J Crock (resigned 1 March 2024)	-	-	8,325	-	-	-	8,325
Dr A Saich (resigned 18 November 2024)	15,000	-	26,250	-	-	-	41,250
Dr R Wise (appointed 28 November 2024)	4,181	-	-	-	-	-	4,181
James Barrie (appointed 1 March 2024 and resigned 6 February 2025) *	58,646	-	16,500	1,667	-	-	76,813
<i>Other Key Management Personnel:</i>							
D Davies	49,950	-	99,900	-	-	-	149,850
Dr R Jenny	59,538	-	-	6,636	-	-	66,174
	<u>247,581</u>	<u>-</u>	<u>175,790</u>	<u>8,303</u>	<u>-</u>	<u>24,635</u>	<u>456,309</u>

* Includes fee paid in capacity as director and company secretary.

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

InhaleRx Limited
Directors' report
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The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
S Williams	22%	77%	-	-	78%	23%
Dr A Saich	100%	100%	-	-	-	-
Dr J Crock	100%	100%	-	-	-	-
James Barrie (appointed 1 March 2024 and resigned 6 February 2025)	100%	-	-	-	-	-
Dr R Wise (appointed 28 November 2024)	100%	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
D Davies	100%	82%	-	-	-	18%
Dr Rob Jenny	100%	100%	-	-	-	-

Service agreements

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

Name:	Sean Williams
Title:	Non-Executive Chairman
Agreement commenced:	26th July 2021
Term of agreement:	\$76,650 per annum plus superannuation
Name:	Dr Andrew Saich
Title:	Non-Executive Director (resigned 28 November 2024)
Agreement commenced:	20th July 2021
Term of agreement:	\$45,000 per annum plus superannuation
Name:	Darryl Davies
Title:	Executive Director and then Chief Executive Officer from 26th September 2022
Agreement commenced:	24th December 2021
Term of agreement:	\$135,000 per annum plus superannuation
Name:	Dr John Crock
Title:	Non-Executive Director (resigned 1 March 2024)
Agreement commenced:	26th September 2022
Term of agreement:	\$45,000 per annum plus superannuation
Name:	Dr Rob Jenny
Title:	Chief Scientific Officer
Agreement commenced:	9th August 2022
Term of agreement:	\$36,000 per annum plus superannuation
Name:	James Barrie
Title:	Non-Executive Director and Company Secretary
Agreement commenced:	1st March 2024
Term of agreement:	Director fees are payable at \$45,000 per annum plus superannuation. He is also entitled to \$42,000 per annum in his capacity as company secretary.
Name:	Dr Ronald Wise
Title:	Non-Executive Director
Agreement commenced:	28th November 2024
Term of agreement:	Director fees are payable at \$45,000 per annum plus superannuation.

InhaleRx Limited
Directors' report
31 December 2024

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

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2024 are set out below:

Name	Date	Shares	Issue price	\$
Darryl Davies	3 October 2024	3,444,828	\$0.0290	99,900
Sean Williams	16 December 2024	741,143	\$0.0335	24,815
James Barrie	16 December 2024	492,792	\$0.0000	16,500
Dr Andrew Saich	16 December 2024	783,992	\$0.0000	26,250
Dr John Crock	16 December 2024	248,638	\$0.0000	8,325

The above shares were issued in lieu of accrued directors' fees.

Options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
S Williams	2,000,000	3 June 2024	3 June 2024	30 June 2027	\$0.0150	\$0.012

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2024 are set out below:

Name	Number of options granted during the year 2024	Number of options granted during the year 2023	Number of options vested during the year 2024	Number of options vested during the year 2023
S Williams	2,000,000	2,000,000	-	-
D Davies	-	2,000,000	-	-

Additional information

The earnings of the consolidated entity for the five years to 31 December 2024 are summarised below:

	2024 \$	2023 \$	2022 \$	2021 \$	2020 \$
Sales revenue	-	-	24,800	167,301	12,557
Loss after income tax	(1,209,373)	(1,443,271)	(1,927,049)	(1,111,129)	(1,205,276)

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

	2024	2023	2022	2021	2020
Share price at financial year end (\$)	0.035	0.029	0.060	0.090	0.077
Basic earnings per share (cents per share)	(0.567)	(0.762)	(1.114)	(0.663)	(1.215)

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Held at time of appointment	Additions/ received in lieu of fees	Held at time of resignation	Balance at the end of the year
<i>Ordinary shares</i>					
Sean Williams **	200,000	-	741,143	-	941,143
Darryl Davies *	33,524,924	-	18,250,791	-	51,775,715
John Crock (resigned 1 March 2024)	1,082,092	-	-	(1,082,092)	-
Dr Ronald Wise	-	2,492,985	-	-	2,492,985
James Barrie **	-	-	492,792	-	492,792
Dr Andrew Saich (resigned 28 November 2024)	-	-	783,992	(783,992)	-
**	-	-	783,992	(783,992)	-
	<u>34,807,016</u>	<u>2,492,985</u>	<u>20,268,718</u>	<u>(1,866,084)</u>	<u>55,702,635</u>

* Held 48,330,887 shares held indirectly through Cannvalate Pty Ltd. During the year he received 3,444,828 shares in lieu of unpaid fees.

** Shares received during the year were in lieu of unpaid fees.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Sean Williams	4,000,000	2,000,000	-	-	6,000,000
Darryl Davies	4,000,000	-	-	-	4,000,000
Rob Jenny	1,000,000	-	-	(500,000)	500,000
	<u>9,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>(500,000)</u>	<u>10,500,000</u>

Other transactions with key management personnel and their related parties

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

This concludes the remuneration report, which has been audited.

Shares under option

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

Issue date	Expiry date	Exercise price	Number under option
14 December 2022	15 December 2025	\$0.2000	4,000,000
13 February 2023	28 February 2025	\$0.2000	250,000
11 July 2023	11 July 2026	\$0.0150	4,000,000
3 June 2024	3 June 2027	\$0.1500	2,000,000
13 December 2024 *	31 December 2029	\$0.0000	38,449,145
			<u>48,699,145</u>

- * The exercise price of the options is the higher of: (a) \$0.025 per Option; and (b) a price equal to 90% of the 90-day volume-weighted average price ('VWAP') of the shares in the company ending one business day before the date of exercise of the option.

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

Shares issued on the exercise of options

There were no ordinary shares of InhaleRx Limited issued on the exercise of options during the year ended 31 December 2024 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of RSM Australia Partners

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

Auditor's independence declaration

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

Auditor

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

InhaleRx Limited
Directors' report
31 December 2024

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

On behalf of the directors



Sean Williams
Director

28 March 2025

RSM Australia Partners

Level 27, 120 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

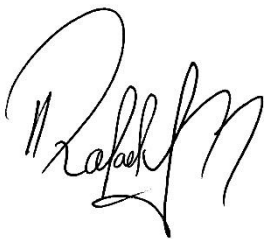
T +61 (0) 3 9286 8000
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of InhaleRx Limited for the year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM AUSTRALIA PARTNERS**

R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 28 March 2025

InhaleRx Limited
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General information

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

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

Level 9, 505 Little Collins Street
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2025. The directors have the power to amend and reissue the financial statements.

InhaleRx Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2024

	Note	Consolidated 2024 \$	2023 \$
Revenue and income			
Other income	4	559,676	1,206,075
Expenses			
Directors' fees and costs		(163,907)	(181,659)
Employee benefits expense		(125,453)	(223,425)
Write off of intangible assets		-	(13,745)
Share based payment expense	24	(24,635)	(57,519)
Consulting costs		(487,907)	(436,351)
Corporate expenses		(173,609)	(210,094)
Marketing expenses		(64,621)	(33,300)
Product development expenditure		(622,097)	(1,448,185)
Other expenses		(18,900)	(36,963)
Finance costs		(87,920)	(8,105)
Loss before income tax expense		(1,209,373)	(1,443,271)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of InhaleRx Limited		(1,209,373)	(1,443,271)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of InhaleRx Limited		<u>(1,209,373)</u>	<u>(1,443,271)</u>
		Cents	Cents
Basic loss per share	23	(0.567)	(0.762)
Diluted loss per share	23	(0.567)	(0.762)

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

InhaleRx Limited
Statement of financial position
As at 31 December 2024

	Note	Consolidated 2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	6	194,915	715,819
Trade and other receivables	7	446,896	802,362
Prepayments		70,589	58,703
Total current assets		<u>712,400</u>	<u>1,576,884</u>
Total assets		<u>712,400</u>	<u>1,576,884</u>
Liabilities			
Current liabilities			
Trade and other payables	8	741,983	350,668
Borrowings	9	34,062	560,275
Employee benefits		-	179
Total current liabilities		<u>776,045</u>	<u>911,122</u>
Non-current liabilities			
Employee benefits		321	291
Total non-current liabilities		<u>321</u>	<u>291</u>
Total liabilities		<u>776,366</u>	<u>911,413</u>
Net assets/(liabilities)		<u>(63,966)</u>	<u>665,471</u>
Equity			
Issued capital	10	14,527,183	14,075,978
Reserves	11	(212,615)	(241,346)
Accumulated losses		<u>(14,378,534)</u>	<u>(13,169,161)</u>
Total equity/(deficiency)		<u>(63,966)</u>	<u>665,471</u>

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

InhaleRx Limited
Statement of changes in equity
For the year ended 31 December 2024

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2023	13,927,516	(298,865)	(11,725,890)	1,902,761
Loss after income tax expense for the year	-	-	(1,443,271)	(1,443,271)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,443,271)	(1,443,271)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	148,462	-	-	148,462
Share-based payments (note 24)	-	57,519	-	57,519
Balance at 31 December 2023	<u>14,075,978</u>	<u>(241,346)</u>	<u>(13,169,161)</u>	<u>665,471</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 January 2024	14,075,978	(241,346)	(13,169,161)	665,471
Loss after income tax expense for the year	-	-	(1,209,373)	(1,209,373)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,209,373)	(1,209,373)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	451,205	-	-	451,205
Share-based payments (note 24)	-	28,731	-	28,731
Balance at 31 December 2024	<u>14,527,183</u>	<u>(212,615)</u>	<u>(14,378,534)</u>	<u>(63,966)</u>

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

InhaleRx Limited
Statement of cash flows
For the year ended 31 December 2024

	Note	Consolidated 2024 \$	2023 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,092,587)	(2,397,808)
Interest received		3,652	2,161
Interest and other finance costs paid		(42,943)	(7,148)
R&D tax offset received		763,111	440,935
Net cash (used in) operating activities	22	(368,767)	(1,961,860)
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from convertible notes		401,000	-
Proceeds from borrowings		-	545,830
Share issue transaction costs		(6,350)	(1,538)
Repayment of borrowings		(546,787)	-
Net cash from/(used in) financing activities		(152,137)	544,292
Net decrease in cash and cash equivalents		(520,904)	(1,417,568)
Cash and cash equivalents at the beginning of the financial year		715,819	2,133,387
Cash and cash equivalents at the end of the financial year	6	194,915	715,819

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

Note 1. Material accounting policy information

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss from ordinary activities of \$1,209,373 and had net cash outflows from operating activities of \$386,767. As at that date, the consolidated entity current liabilities exceeded its current assets by \$63,645 and had net liabilities of \$63,966.

The above factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

- In November 2024 InhaleRx has secured a funding facility of up to \$38.5 million from Clendon Biotech Capital to fully cover the clinical trial costs, including the associated non-clinical work and trial drug manufacturing costs for the IRX-211 and IRX-616a drug development plans through to the completion of Phase 2 clinical trials. The funding agreement provides InhaleRx access to up to \$38.5 million in funding, which is expected to allow the Company to reach the Phase 3 pivotal stage for both IRX-211 and IRX-616a within the next 2-3 years. The facility can only be used to finance clinical costs;
- Management has prepared a cash flow forecasts for the next 12 months from the date of this report which indicate the consolidated entity will have a positive cash balance during this period;
- The consolidated entity has the ability to raise additional capital under its general placement capacity. Based on previous successes raising capital, the Directors are confident that the consolidated entity will be able to raise additional capital as and when needed;
- The consolidated entity expects to receive \$401,811 in the coming months from its R&D tax rebate; and
- The consolidated entity has the ability to defer non-essential expenditure, if required.

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

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Basis of preparation

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

Historical cost convention

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

Note 1. Material accounting policy information (continued)

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 19.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of InhaleRx Limited ('company' or 'parent entity') as at 31 December 2024 and the results of all subsidiaries for the year then ended. InhaleRx Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

Operating segments

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

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue and income recognition

Interest

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

R&D tax offset

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

Note 1. Material accounting policy information (continued)

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

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

Trade and other payables

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

Borrowings

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

Employee benefits

Share-based payments

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

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

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

Note 1. Material accounting policy information (continued)

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Note 1. Material accounting policy information (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2024. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

Note 3. Operating segments

Identification of reportable operating segments

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

Note 4. Other income

	Consolidated	
	2024	2023
	\$	\$
Interest revenue	3,652	2,029
R&D tax rebate	401,811	1,204,046
Movement in fair value of financial derivative	154,213	-
Other income	<u>559,676</u>	<u>1,206,075</u>

InhaleRx Limited
Notes to the financial statements
31 December 2024

Note 5. Income tax expense

	Consolidated	Consolidated
	2024	2023
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,209,373)	(1,443,271)
Tax at the statutory tax rate of 30% (2023: 25%)	(362,812)	(360,818)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable income	(120,543)	(301,011)
Non deductible costs	295,203	471,670
Tax losses not brought to account	188,152	190,159
Income tax expense	-	-

	Consolidated	Consolidated
	2024	2023
	\$	\$
<i>Australian tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	8,219,393	7,535,201
Potential tax benefit @ 30%	2,465,818	2,260,560

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

Note 6. Current assets - cash and cash equivalents

	Consolidated	Consolidated
	2024	2023
	\$	\$
Cash at bank	182,050	702,986
Cash on deposit	12,865	12,833
	194,915	715,819

Note 7. Current assets - trade and other receivables

	Consolidated	Consolidated
	2024	2023
	\$	\$
Other receivables	-	14,666
R&D tax rebate receivable	401,811	763,111
GST receivable	45,085	24,585
	446,896	802,362

InhaleRx Limited
Notes to the financial statements
31 December 2024

Note 8. Current liabilities - trade and other payables

	Consolidated	Consolidated
	2024	2023
	\$	\$
Trade payables	567,694	183,563
Other payables	174,289	167,105
	<u>741,983</u>	<u>350,668</u>

Note 9. Current liabilities - borrowings

	Consolidated	Consolidated
	2024	2023
	\$	\$
Insurance premium funding	34,062	13,488
R&D finance facility	-	546,787
	<u>34,062</u>	<u>560,275</u>

Refer to note 13 for further information on financial instruments.

Note 10. Equity - issued capital

	2024	Consolidated	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>213,448,224</u>	<u>189,766,957</u>	<u>14,527,183</u>	<u>14,075,978</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2023	187,266,957		13,927,516
Issue of shares	1 March 2023	2,500,000	\$0.0600	150,000
Less cost of capital raised		-	\$0.0000	(1,538)
Balance	31 December 2023	189,766,957		14,075,978
Issue of shares to settle CEO fees	3 October 2024	3,444,828	\$0.0289	99,900
Issue of shares upon conversion of notes	23 October 2024	17,969,880	\$0.0157	281,765
Issue of shares to settle directors fees	16 December 2024	2,266,559	\$0.3348	75,890
Less cost of capital raised		-	\$0.0000	(6,350)
	31 December 2024	<u>213,448,224</u>		<u>14,527,183</u>

Ordinary shares

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

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

Note 10. Equity - issued capital (continued)

Capital risk management

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

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

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

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

The capital risk management policy remains unchanged from the 31 December 2023 Annual Report.

Note 11. Equity - reserves

	Consolidated	
	2024	2023
	\$	\$
Share-based payments reserve	118,495	89,764
Non-controlling interest derecognised	(331,110)	(331,110)
	<u>(212,615)</u>	<u>(241,346)</u>

Share-based payments reserve

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

Non-controlling interest derecognised

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

Movements in reserves

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

Consolidated	NCI derecognised \$	Share-based payments \$	Total \$
Balance at 1 January 2023	(331,110)	32,245	(298,865)
Share based payments	-	57,519	57,519
Balance at 31 December 2023	(331,110)	89,764	(241,346)
Share based payments	-	28,731	28,731
Balance at 31 December 2024	<u>(331,110)</u>	<u>118,495</u>	<u>(212,615)</u>

Note 12. Equity - dividends

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

Note 13. Financial instruments

Financial risk management objectives

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

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

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

Market risk

Foreign currency risk

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

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

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

Price risk

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

Interest rate risk

The consolidated entity is not exposed to significant interest rate risk.

Credit risk

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

Liquidity risk

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

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

Note 13. Financial instruments (continued)

Remaining contractual maturities

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

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2024						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	273,306	-	-	-	273,306
<i>Interest-bearing - fixed rate</i>						
Insurance premium funding	11.20%	34,062	-	-	-	34,062
Total non-derivatives		307,368	-	-	-	307,368
	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2023						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	305,668	-	-	-	305,668
<i>Interest-bearing - fixed rate</i>						
Insurance premium funding	10.40%	13,488	-	-	-	13,488
R&D facility	16.00%	546,787	-	-	-	546,787
Total non-derivatives		865,943	-	-	-	865,943

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

Fair value of financial instruments

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

Note 14. Key management personnel disclosures

Compensation

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

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	247,581	436,518
Post-employment benefits	8,303	11,613
Share-based payments	24,635	57,519
Share issued in lieu of fees	175,790	-
	<u>456,309</u>	<u>505,650</u>

InhaleRx Limited
Notes to the financial statements
31 December 2024

Note 15. Remuneration of auditors

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

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	56,500	49,000

Note 16. Contingent asset and liabilities

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

Note 17. Commitments

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

Note 18. Related party transactions

Parent entity

InhaleRx Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 20.

Key management personnel

Disclosures relating to key management personnel are set out in note 14 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
Payment for goods and services:		
Development costs incurred with Ingenu CRO (an entity related to Darryl Davies)	558,070	838,000
Consulting services provided by Dr Sud Argawal (a director of Cannvalate Pty Ltd)	55,000	55,000
Payment for other expenses:		
Payment for trademark transferred from Cannvalate Pty Ltd (an entity related to Darryl Davies)	-	8,990

Receivable from and payable to related parties

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

	Consolidated	
	2024	2023
	\$	\$
Current payables:		
Trade payables Ingenu CRO (an entity related to Darryl Davies)	468,677	96,800
Fees payable to key management personnel	67,001	50,826
Fees payable to Dr Sud Argawal	68,070	68,208

Note 18. Related party transactions (continued)

Loans to/from related parties

During the year, Cannvalate Pty Ltd provided a total \$199,000 under convertible note agreements. This balance included accrued interest was converted in full on 23 October 2024.

Note 19. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$	\$
Loss after income tax	(1,209,373)	(1,432,449)
Total comprehensive loss	(1,209,373)	(1,432,449)

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	712,400	1,576,884
Total assets	712,400	1,576,884
Total current liabilities	776,045	911,122
Total liabilities	776,366	911,413
Equity		
Issued capital	14,527,183	14,075,978
Share-based payments reserve	118,495	89,764
Accumulated losses	(14,709,644)	(13,500,271)
Total equity/(deficiency)	(63,966)	665,471

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

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

Contingent liabilities

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

Contractual commitments

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

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

InhaleRx Limited
Notes to the financial statements
31 December 2024

Note 20. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Seng-Vital Pty Ltd	Australia	100.00%	100.00%

Significant restrictions

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

Note 21. Events after the reporting period

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.

Note 22. Reconciliation of loss after income tax to net cash (used in) operating activities

	Consolidated	
	2024 \$	2023 \$
Loss after income tax expense for the year	(1,209,373)	(1,443,271)
Adjustments for:		
Write off of intangible assets	-	13,745
Share-based payments	24,635	57,519
Fair value gain on derivative liability	(154,212)	-
Non cash interest	34,977	957
Shares issued to settle fees to key management personnel	175,790	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	355,466	(770,678)
Decrease/(increase) in other operating assets	(7,790)	20,560
Increase in trade and other payables	391,315	145,529
Increase/(decrease) in employee benefits	(149)	291
Increase in other operating liabilities	20,574	13,488
Net cash (used in) operating activities	<u>(368,767)</u>	<u>(1,961,860)</u>

Note 23. Earnings per share

	Consolidated	
	2024 \$	2023 \$
Loss after income tax attributable to the owners of InhaleRx Limited	<u>(1,209,373)</u>	<u>(1,443,271)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>213,448,224</u>	<u>189,355,998</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>213,448,224</u>	<u>189,355,998</u>

Note 23. Earnings per share (continued)

	Cents	Cents
Basic loss per share	(0.567)	(0.762)
Diluted loss per share	(0.567)	(0.762)

Note 24. Share-based payments

During the year 2,000,000 options were issued to key management personnel as part of their remuneration under the company's employee share option plan. An overall share based payment expense of \$24,635 was recognised during the year

The Company also issued 38,449,145 under the Clendon facility. A Monte Carlo simulation has been used to determine the fair value of share-based payment awards with market-based conditions. The simulation model considers expected share price volatility of 111%, a risk-free interest rate of 3.824%, and an expected vesting period of 2.5 years. The total share-based payment expense recognized during the year was \$4,096. The fair value measurement falls under Level 3 of the fair value hierarchy.

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

	Number of options 2024	Weighted average exercise price 2024	Number of options 2023	Weighted average exercise price 2023
Outstanding at the beginning of the financial year	9,000,000	\$0.1778	5,000,000	\$0.2000
Granted	40,449,145	\$0.0262	4,000,000	\$0.1500
Outstanding at the end of the financial year	<u>49,449,145</u>	\$0.0403	<u>9,000,000</u>	\$0.1778

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

Issue Date	Expiry date	2024 Number	2023 Number
14/12/2022	14/12/2025	4,000,000	4,000,000
14/11/2022	12/02/2025	1,000,000	1,000,000
26/05/2023	11/07/2026	2,000,000	2,000,000
06/07/2023	11/07/2026	2,000,000	2,000,000
03/06/2024	03/06/2025	2,000,000	-
		<u>11,000,000</u>	<u>9,000,000</u>

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

Issue date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/06/2024	03/06/2027	\$0.0300	\$0.0500	94.50%	-	4.02%	\$0.012

The weighted average remaining life of options was 4.23 years (2023: 2.12 years).

InhaleRx Limited
Consolidated entity disclosure statement
As at 31 December 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Seng-Vital Pty Ltd	Body Corporate	Australia	100.00%	Australia

InhaleRx Limited
Directors' declaration
31 December 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, based on the factors outlined in note 1 going concern to the financial statements.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors



Sean Williams
Director

28 March 2025

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of InhaleRX Limited and its controlled entities

Opinion

We have audited the financial report of InhaleRX Limited ('the Company') and its controlled entities (together 'the Consolidated entity'), which comprises the consolidated statement of financial position as at 31 December 2024, 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.

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

- (i) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that during the year ended 31 December 2024 the Consolidated entity incurred a loss of \$1,209,373 and had net cash outflows from operating activities amounting to \$386,767. Also, it indicates that 31 December 2024 the Consolidated entity's current liabilities exceeded its current assets by \$63,645 and had a net liability position of \$63,966. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 31 December 2024; but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of

- 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 statements that is true and correct in accordance with the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of:
 - 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 and error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of InhaleRX Limited, for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



RSM AUSTRALIA PARTNERS



R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 28 March 2025

InhaleRx Limited
Shareholder information
31 December 2024

The shareholder information set out below was applicable as at 12 March 2025.

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	27	-
1,001 to 5,000	85	0.15
5,001 to 10,000	111	0.43
10,001 to 100,000	223	3.91
100,001 and over	122	95.51
	568	100.00
Holding less than a marketable parcel	244	0.69

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
CANNVALATE PTY LTD	48,330,887	22.64
10 BOLIVIANOS PTY LTD	24,956,453	11.69
PYXIS HOLDINGS PTY LTD (THE MAPLETREE A/C)	17,200,000	8.06
FINCLEAR SERVICES PTY LTD (SUPERHERO SECURITIES A/C)	10,704,009	5.01
MCANN INVESTMENTS PTY LTD	8,000,000	3.75
DR DAVID JAMES WALLAND	6,804,291	3.19
PARIM SINGH HARMAN SINGH	6,249,999	2.93
BNP PARIBAS NOMINEES PTY LTD (CLEARSTREAM)	5,063,805	2.37
MR SEAN CHRISTOPHER REEVES	4,386,545	2.06
MR MICHAEL JAMES REID	4,150,501	1.94
CITICORP NOMINEES PTY LIMITED	3,623,477	1.70
DARRYL DAVIES	3,444,828	1.61
MR NIV DAGAN	3,282,013	1.54
BNP PARIBAS NOMS PTY LTD	3,219,901	1.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,799,928	1.31
BLISS ON BANKSIA HAIRDRESSING PTY LTD (THE STEFANEST EGG SFUND A/C)	2,362,956	1.11
SASSEY PTY LTD (SASSEY A/C)	2,192,985	1.03
MR PIPER BELESPRIT MADISON	1,800,038	0.84
LITTLE BELL RESOURCES PTY LTD	1,591,504	0.75
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT)	1,563,944	0.73
	161,728,064	75.77

Unquoted equity securities

A total of 48,699,145 unlisted options over ordinary shares on issue.

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Shareholder information
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Substantial holders

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

	Ordinary shares	
	Number held	% of total shares issued
CANNVALATE PTY LTD	48,330,887	22.64
10 BOLIVIANOS PTY LTD	24,956,453	11.69
PYXIS HOLDINGS PTY LTD (THE MAPLETREE A/C)	17,200,000	8.06
FINCLEAR SERVICES PTY LTD (SUPERHERO SECURITIES A/C)	10,704,009	5.01

Voting rights

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

Ordinary shares

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

Options

Option holders have no voting rights.