

Algorae Pharmaceuticals Limited

ABN: 104 028 042

Appendix 4E full year ended 30 June 2024

(Previous corresponding period:
year ended 30 June 2023)

Results for Announcement to Market

	2024	2023
	\$	\$
Services revenue	-	-
Total other income	125,200	42,016
Total revenue and other income	125,200	42,016
Profit/(loss) before income tax expense	(2,095,562)	(2,107,658)
Income tax expense (credit)	-	-
Reported net profit/(loss) after tax attributable to members of the parent entity	(2,095,562)	(2,107,658)

Reported

- Total revenue and other income increased 198% to \$125,200.
- Net profit/(loss) from ordinary activities attributable to members of Algorae Pharmaceuticals Limited has decreased by 1% to \$(2,095,562).
- Net profit/(loss) after tax for the year attributable to members of Algorae Pharmaceuticals Limited has decreased by 1% to \$(2,095,562).

Dividends

	Amount per security	Franked amount per security
Final dividend	-	-
Previous corresponding period	-	-
Record date for determining entitlements to the dividend:	n/a	
Date the dividend is payable	n/a	

Explanation of results

For further explanation of the results please refer to the ASX release.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Annual Report.

Additional Information

Net Tangible Asset

	30 June 2024	30 June 2023
Net tangible per ordinary share	0.18 cents per share	0.24 cents per share

Changes in controlled entities

No change in controlled entities during the year.

Foreign entities

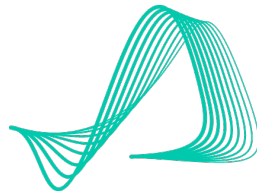
Detail of origin of accounting standards used in compiling the report:

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

Other information

This report is based on the consolidated financial statements which have been audited by PKF Brisbane Audit.

David Hainsworth
Director
30 August 2024



ALGORAE
PHARMACEUTICALS

Algorae Pharmaceuticals Limited

(formerly Living Cell Technologies Limited)

Annual Report

30 June 2024

Algorae Pharmaceuticals Limited

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Algorae Pharmaceuticals Limited

Directors' report

30 June 2024

The directors present their report, together with the financial statements of being Algorae Pharmaceuticals Limited (1AI, Algorae, the "Company") and its controlled entities (the "Group"), for the financial year ended 30 June 2024.

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

1. General information

Information on directors

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

David Hainsworth	Director from 31 October 2022, Executive Chairman
Qualifications	B.Sc
Experience	<p>David Hainsworth is a finance professional with more than 20 years' experience in capital markets.</p> <p>Currently serving as Associate Director of Australian boutique corporate advisory firm Alignment Capital Pty Ltd. Mr Hainsworth's responsibilities are principally centred on the origination and execution of capital market transactions within high-growth sectors. Prior to this role, he was an investment advisor at Euroz Hartleys Ltd, a highly regarded and publicly listed wealth management firm.</p> <p>His significant expertise extends to corporate financing and capital raising, with a specialisation in early-stage projects in the biotechnology and life science sectors.</p>
Special responsibilities	Mr Hainsworth was appointed to the board on 31 October 2022.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.
Bradley Dilkes	Non-executive director from 31 October 2022
Qualifications	B.Com
Experience	<p>Brad Dilkes has more than 15 years' experience working in the investment and corporate advisory sectors within the context of emerging companies.</p> <p>He has been an Associate Director of boutique corporate advisory firm Alignment Capital Pty Ltd for 8 years, providing corporate services to high-growth companies listed, or seeking to list, on the ASX. Prior to this role, he was an investment advisor at a micro-cap focused investment bank.</p> <p>Brad has specific experience in project conception and deal origination in the biotechnology sector, founding a range of research and development projects and companies in emergent fields of study.</p>
Special responsibilities	Mr Dilkes was appointed to the board on 31 October 2022.
Other Directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

Algorae Pharmaceuticals Limited

Directors' report

30 June 2024

1. General information (continued)

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

Principal activities and significant changes in nature of activities

Algorae Pharmaceuticals Limited is a pharmaceutical development company with three drug candidates and a proprietary artificial intelligence (AI) biopharmaceutical prediction platform under development. Algorae's therapeutic pipeline comprises AI-116 for dementia, AI-168 for cardiovascular disease and NTCELL for Parkinson's disease. There were no significant changes to the nature of the principal activities during the financial year.

2. Operating and financial review

Operations

Development of AlgoraeOS Artificial Intelligence Platform with UNSW

During 2024, Algorae executed an agreement with the University of New South Wales ('UNSW') to develop a proprietary artificial intelligence (AI) enabled platform for biopharmaceutical prediction of both fixed dose combination ('FDC') drug targets and repurposed drug targets agnostic to medical indication.

The AI platform, known as Algorae Operating System ('AlgoraeOS'), will predict synergistic FDC drug targets using machine learning, deep learning, and neural network algorithms within the setting of a vast compilation of medical and scientific data curated for the purpose of AI-enabled combination drug discovery. AlgoraeOS is hosted by the 'Gadi' supercomputer operated by National Computational Infrastructure (NCI Australia) and previously used for the likes of climate modelling and natural disaster prediction.

Version 1 of AlgoraeOS is anticipated to be launched in Quarter 3, 2024 and subsequent versions will be progressively upgraded over a period of at least 3 years. Training data used to train the AI algorithms and models comprise pertinent information on more than 150 human cell lines, 5,000 drugs and 500,000 drug combinations. FDC drugs including cannabidiol ('CBD') are prioritised in version 1 of the platform, consistent with the strategy of the Company to assess cannabinoids, which Algorae considers to be under-studied.

Algorae has commenced discussions with laboratory facilities to conduct pre-clinical assessments of FDC drug targets once drug synergy is predicted and ranked by AlgoraeOS. The Company intends to undertake rapid pre-clinical assessments to define the target's development course, intellectual property and commercial (internal development or partnership) strategies.

Algorae retains 100% ownership rights to all project intellectual property, including synergistic FDC drug targets.

Algorae Becomes Participant to CSIRO Next Generation AI Graduate Program Grant Funding

In October 2023, Algorae executed an agreement to become an industry participant to the Next Generation AI Graduate Program ('NGAIGP'), established and operated by Australia's national science agency, CSIRO. Under the agreement, UNSW has recruited three PhD candidates for the purpose of advancing various components of AlgoraeOS over a period of at least three years.

Directors' report

30 June 2024

2. Operating and financial review (continued)

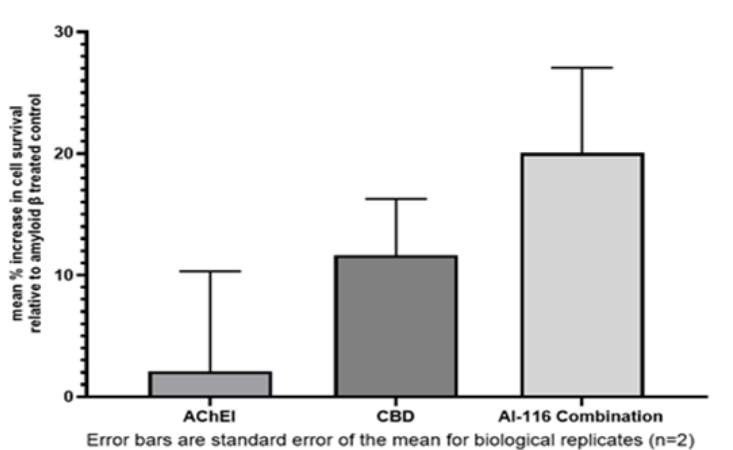
The candidates are supervised and managed by lead investigator and AI expert, Associate Professor Fatemeh Vafaei, and Dr Muhammad Heydari, who is a full time post-doctoral officer assigned to the project. The hand-selected PhD candidates form part of the research and development team for the AlgoraeOS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

AI-116 Drug Candidate for Dementia

In April 2024, Algorae received positive results from the *in vitro* assessment of AI-116 undertaken at La Trobe University. AI-116 is Algorae's FDC drug candidate comprising an acetylcholinesterase inhibitor ('AChE inhibitor') and CBD. AChE inhibitors are FDA registered first line treatments for Alzheimer's disease, which are also prescribed off-label for other neurodegenerative disorders and dementia, including Parkinson's disease.

In vitro assays were conducted to further assess the therapeutic potential of AI-116 by comparing the viability of neuronal cells in the presence of Amyloid β with varying exploratory doses of AI-116 against the AChE inhibitor and CBD administered alone. The *in vitro* assays measured cell viability and drug synergy, which occurs when the effect of the two drugs in combination is superior to the sum of their individual effects.

In the data reported below, the control arm of the study demonstrated high levels of toxicity when neuronal cells are exposed to Amyloid β , the improvements in cell viability observed with the AChE inhibitor and CBD alone were substantially improved with the administration of the optimal fixed dose combination of AI-116 (Figure 1).



After the period ending 30 June 2024, Algorae was pleased to announce additional positive results from its pre-clinical program to assess AI-116. Algorae completed additional preclinical assessments of glutamate toxicity. Elevated glutamate in neuroblastoma cells significantly contribute to the progression of dementia through mechanisms involving excitotoxicity, oxidative stress, neuroinflammation, synaptic dysfunction, and the interplay with A β and tau pathology. These processes are neurotoxic, ultimately resulting in cognitive decline and memory impairment.

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

Directors' report

30 June 2024

2. Operating and financial review (continued)

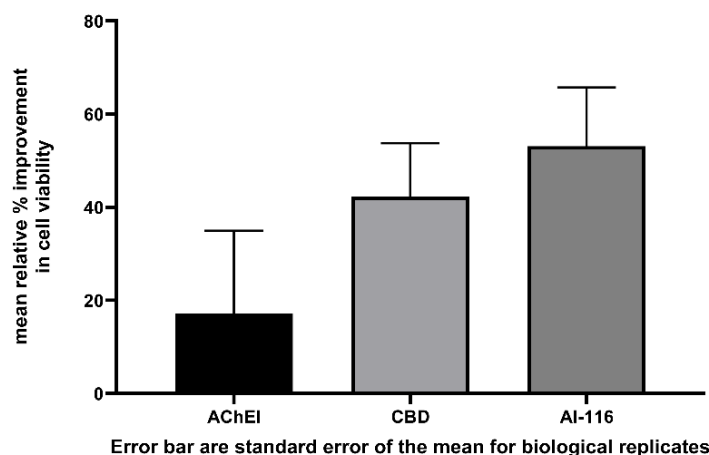


Figure 2. Average percentage increase in cell survival relative to glutamate treated control cells. Relative to the glutamate treated toxic control, donepezil (represented as AChEI) alone restored a mean of 17% of total relative cell viability, CBD alone restored a mean of 42% of total relative cell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

RNA sequencing was performed on samples obtained from SH-SY5Y neuroblastoma cells exposed to amyloid β . RNA sequencing is a comprehensive, high-throughput technique, which Algorae employed to investigate transcriptome changes following treatment with AI-116, donepezil, or CBD.

AI-116 significantly modulated expression of key genes that are associated with one or more neurodegenerative disorders. When compared with genes modulated with CBD or donepezil alone, at least 21 genes were identified as uniquely modulated following treatment with AI-116, including APOE, ATN1, C19orf12, CFAP410, CTSD, DLG4, MT-TF, MT-TS1, NEK1, NIPA1, NOS2, NRXN1, TARDBP, CCDC88C, DNAH9, DTNBP1, ERCC8, HGSNAT, HTT, UBQLN4 and UCHL1.

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

Taken together, these data provided further evidence of the neuroprotective effect of AI-116 following exposure to different neurotoxins ($A\beta$ and elevated glutamate). Following these positive results, Algorae commenced planning for a clinical trial to assess AI-116, including discussions with key opinion leaders in the fields of dementia and neurological disorders.

Furthermore, Algorae has filed an international patent application under the Patent Cooperation Treaty (PCT) (International (PCT) Application No. PCT/AU2024/050791) as part of its broader strategy to develop intellectual property assets that align with the Company's commercial interests. In particular, this application has been filed to provide Algorae with the opportunity to pursue patent protection for aspects AI-116 in a broad range of countries.

AI-168 Drug Candidate for Cardiovascular Disease

Algorae executed a research agreement with Monash University (Monash) to undertake an extensive range of pre-clinical studies to further assess Algorae's cannabinoid-based combination drug, known as AI-168, in various cardiovascular models.

AI-168 includes a cannabinoid and another pharmaceutical drug. In performing the pre-clinical studies, the models undertaken by Monash are expected to provide an understanding of the mechanism of action of AI-168 across a range of cardiovascular diseases (CVDs). Like in AI-116, the pre-clinical efficacy of AI-168 will be compared to existing classes of drugs used to treat CVDs. Algorae has filed a provisional patent application over AI-168 to establish a priority date for the invention ahead of potential competitor companies.

The pre-clinical studies are being led by Principal Investigator, Dr Kristen Bubb, a senior research fellow at the Victorian Heart Institute, Monash University together with Postdoctoral Research Fellow, Dr Giannie Barsha.

Directors' report

30 June 2024

2. Operating and financial review (continued)

Algorae Engages HL Pharma to Warehouse Cannabinoid Compounds

In December 2023, Algorae executed an agreement with HL Pharma to import and warehouse company-owned cannabinoids and other compounds for distribution to its research partners as and when required, minimising drug access lead times.

HL Pharma is an Australian company registered with the Victorian Department of Health, specialising in the sourcing, supply and distribution of products to hospitals, pharmacies, doctors and pharmaceutical wholesalers. HL Pharma holds relevant licenses to import and supply various compounds, including schedule 2 to schedule 9 substances. Under the agreement, HL Pharma will be responsible for the importation, storage, supply, and distribution of compounds to the research partners of Algorae, while ensuring compliance with Good Distribution Practice (GDP). The initial term of engagement is three years, however either party may request a review and amendment of the agreement before the scheduled 3-year review period.

NTCELL for Parkinson's Disease

During 2024, Algorae continued to progress a scientific review of the NTCELL clinical trial protocol and development plan with a primary focus on assessing potential enhancements to the therapeutic value of NTCELL. The NTCELL scientific review is being overseen by the Company's chief scientific officer ('CSO'), Dr James McKenna.

As the Company continued its review of the NTCELL development program, the Company also resolved to terminate its agreement with NZeno Limited ('NZeno'). Doing so significantly reduced the Company's monthly expenditures. Algorae and NZeno have resolved to enter new discussions for the provision of choroid plexus tissue on a good faith basis in the future, considering the status of both businesses at the time.

Financial position

The net assets of the Group have decreased from \$3,762,103 at 30 June 2023 to \$3,014,250 as at 30 June 2024. The net asset decrease reflects the funds used to progress the Company's research programs and general operating activities.

Net cash outflow from operating activities decreased from \$1,986,291 in the previous year to \$1,523,301 in the current year, due to cost reductions. Most of the funds were used to progress the Company's research programs.

These financial statements have been prepared on a going concern basis. The Group incurred a loss after tax attributable to members of the parent entity of \$2,095,562 (2023: \$2,107,658) and incurred negative cash flows from operations of \$1,523,301 (2023: \$1,986,291).

As at 30 June 2024 the Group had \$808,413 cash in bank and \$2,300,000 term deposits, compared to \$2,088,514 cash in bank and \$2,022,560 term deposits at 30 June 2023. This balance is projected to allow the planned level of operations to continue for at least 12 months from the date of authorisation of this financial report. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available. The Directors have a history of raising capital as required to support their research projects and operating expenses.

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

Business strategies and prospects for future years

Algorae's corporate strategy is to develop transformative therapeutic solutions for significant unmet medical needs in the community. The key tenants to this strategy include:

- Retain a dynamic and innovative corporate culture with a focus on emergent themes in pharmaceutical development;
- Increase the pipeline of existing research & development projects to diversify the Company's value-generating activities;
- Collaborate with industry partners, clinical research organisations and forward-thinking Universities;
- Implement a robust intellectual property (IP) strategy to protect the value of competitive positions in assets generated by the Company;
- Ensure the Company is adequately funded for its current and future research and development activities.

Directors' report

30 June 2024

2. Operating and financial review (continued)

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

In common with other biotechnology companies, there is a risk that these prospects for future years will not be achieved, depending on the outcome of clinical studies, trials, experiments and research projects. The Company endeavours to moderate these risks by diversifying research targets and reducing the dependency on the outcome of any single research project.

3. Other items

Significant changes in state of affairs

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

Events after the reporting date

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

Environmental issues

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

Company secretary

Madhukar Bhalla retired 17th January 2024.

Leah Pieris retired 9th May 2024.

Jennifer Voon was appointed as company secretary on the 1st July 2024.

Dividends

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

Meetings of directors

During the financial year, 4 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit, Risk and Compliance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Hainsworth	4	4	-	-
Bradley Dilkes	4	4	-	-
Bradley Latham	4	4	-	-

Indemnification and insurance of officers and auditors

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

Algorae Pharmaceuticals Limited

Directors' report

30 June 2024

3. Other items (continued)

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

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

Options

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

Grant date	Date of Expiry	Exercise Price	No. under Option
Listed Options			
9 March 2023 - Placement Options	31-Mar-26	\$0.012	50,000,000
21 April 2023 - Right Issue Options	31-Mar-26	\$0.012	44,017,310
04 May 2023 - Right Issue Shortfall Options	31-Mar-26	\$0.012	43,373,305
10 July 2023 - Placement Options	31-Mar-26	\$0.012	37,500,000
24 February 2023 - Lead Manager Options	31-Mar-26	\$0.012	126,482,493
10 July 2023 – Lead Manager Options	31-Mar-26	\$0.012	5,625,000
Options converted to shares			(595,781)
			306,402,327
Unlisted options			
01 September 2022 - KMP Option	01-Sep-24	\$0.132	1,000,000
			1,000,000

There were 595,781 ordinary shares of Algorae Pharmaceuticals Limited issued on the exercise of options during the year ended 30 June 2024 (2023: 501,562) and up to the date of this report.

Non-audit services

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2024 has been received and can be found on page 16 of the financial report.

Directors' report

30 June 2024

Remuneration report (audited)

Remuneration policy

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

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

KMP remuneration includes the following elements:

- **Fixed Remuneration:** KMP receive a base salary, determined based on factors such as qualifications, length of service, experience, and market rates. Additionally, statutory contributions to superannuation are provided.
- **Incentive Remuneration:** KMP may be granted shares and/or options based on the achievement of predetermined objectives that contribute to the Company's strategies and progress in its research and development activities. These incentives are intended to align the KMP's interests with those of the shareholders.
- **Risk Management:** KMP are prohibited from using derivatives or other financial instruments to limit the risk associated with shares and options granted as part of their remuneration.

KMP receive company contributions to KiwiSaver in New Zealand and superannuation funds in Australia by the law, which is currently 3% and 11.5% respectively, and do not receive any other retirement benefits.

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

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

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

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

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

Performance conditions linked to remuneration

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

Algorae Pharmaceuticals Limited

Directors' report

30 June 2024

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024	2023	2022	2021	2020
Revenue and other income (\$)	125,200	42,016	3,405	268,184	553,692
Loss after income tax (\$)	(2,095,562)	(2,107,658)	(1,957,300)	(1,460,591)	(968,469)

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

Share price at financial year end (\$)	0.010	0.015	0.008	0.012	0.012
Total dividend declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.13)	(0.16)	(0.22)	(0.26)	(0.17)

Employment details of members of key management personnel

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

		Performance based remuneration		
		Bonus %	Shares %	Options %
KMP				
Belinda Di Bartolo	Chief Operation Officer (ceased her role on 19 January 2024)	-	-	-
Daya Uka	Chief Financial Officer (ceased his role on 5 September 2023)	-	-	-

Performance-based remuneration

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

Service agreements

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

All employment agreements are for an unlimited duration. The agreements for executives may be terminated by giving 20 working days' notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six-month's subsequent service. Employment agreements do not include the specific performance criteria which are linked to bonuses or incentives, so amounts paid in accordance with the above remuneration policy are effectively at the discretion of the board.

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

Directors' report

30 June 2024

Remuneration details for the year ended 30 June 2024

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

	Short term			Post-employment	Long term benefits	Share based payments	Total benefits and payments
	Cash salary fees	Bonus	Total short-term benefits	Pension and superannuation		Options and rights	
	\$	\$	\$	\$	\$	\$	\$
2024							
Directors							
David Hainsworth ¹	60,000	-	60,000	-	-	300,000	360,000
Bradley Dilkes ²	50,000	-	50,000	-	-	300,000	350,000
Bradley Latham	50,000	-	50,000	-	-	154,532	204,532
Carolyn Sue ³	11,600	-	11,600	1,100	-	-	12,700
KMP							
Daya Uka ⁴	64,227	-	64,227	1,683	-	-	65,910
Madhukar Bhalla ^{5,6}	32,834	-	32,834	-	-	-	32,834
Belinda Di Bartolo ⁷	112,918	-	112,918	10,122	-	-	123,040
	381,579	-	381,579	12,905	-	754,532	1,149,016
2023							
Directors							
David Hainsworth ¹	40,000	-	40,000	-	-	-	40,000
Bradley Dilkes ²	33,333	-	33,333	-	-	-	33,333
Bernard Tuch	65,169	-	65,169	21,894	-	-	87,063
Robert Willcocks	16,667	-	16,667	-	-	-	16,667
Carolyn Sue	45,249	-	45,249	4,751	-	-	50,000
Andrew Kelly	16,667	-	16,667	-	-	-	16,667
KMP							
Daya Uka	148,623	-	148,623	4,459	-	625	153,707
Madhukar Bhalla	40,000	-	40,000	-	-	-	40,000
Belinda Di Bartolo	165,000	-	165,000	17,328	-	625	182,953
	570,708	-	570,708	48,432	-	1,250	620,390

¹ Payment is made to Union Square Capital Pty Ltd

² Payment is made to Cichli Pty Ltd

³ Resigned on 1 July 2023

⁴ Resigned on 5 September 2023

⁵ Payment is made to Stamp Foundation

⁶ Resigned on 17 January 2024

⁷ Resigned on 19 January 2024

Securities received that are not performance related

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

Directors' report

30 June 2024

Options granted, vested, and lapsed during the year

Details of KMP options granted as remuneration, vested, and lapsed during 2024:

	Number of options	Exercise price per option \$	Value per option at grant date \$	Grant date	Vesting date	Expiry date	Vested during period %	Forfeited / lapsed during period %
Directors								
David Hainsworth	-	-	-	-	-	-	-	-
Bradley Dilkes	-	-	-	-	-	-	-	-
Bradley Latham	-	-	-	-	-	-	-	-
Carolyn Sue	600,000	0.0188	0.0188	09-Dec-19	09-Dec-19	06-Dec-23	-	100
KMP								
Daya Uka	500,000	0.1320	0.1320	01-Sep-22	01-Sep-23	01-Sep-24	-	100
Madhukar Bhalla	-	-	-	-	-	-	-	-
Belinda Di Bartolo	500,000	0.1320	0.1320	01-Sep-22	01-Sep-23	01-Sep-24	-	100

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

The weighted average fair value of options granted during the year was \$Nil (2023: \$0.0147).

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

During the year ended 30 June 2024, no ordinary shares of 1AI were issued to KMP on the exercise of options grants. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by 1AI and entitle the holder to ordinary shares in 1AI for each option exercised.

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

Key management personnel options and rights holdings

	Balance at beginning of year	Granted as remuneration	Pro-rata allocation from rights issue	Exercised	Expired/ Forfeited	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
2024									
David Hainsworth	312,500	40,000,000	-	(20,000,000)	(20,000,000)	312,500	20,000,000	312,500	-
Bradley Dilkes	-	40,000,000	-	(20,000,000)	(20,000,000)	-	20,000,000	-	-
Bradley Latham	-	20,000,000	-	(10,000,000)	-	10,000,000	10,000,000	-	10,000,000
Carolyn Sue	662,500	-	-	-	(600,000)	62,500	-	62,500	-
KMP									
Daya Uka	500,000	-	-	-	-	500,000	-	-	500,000
Madhukar Bhalla	-	-	-	-	-	-	-	-	-
Belinda Di Bartolo	500,000	-	-	-	-	500,000	-	-	500,000
	1,975,000	100,000,000	-	(50,000,000)	(40,600,000)	11,375,000	50,000,000	375,000	11,000,000

Algorae Pharmaceuticals Limited

Directors' report

30 June 2024

	Balance at beginning of year	Granted as remuneration	Pro-rata allocation from rights issue	Exercised	Expired/ Forfeited	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
2023									
David Hainsworth	-	-	312,500	-	-	312,500	-	312,500	-
Bradley Dilkes	-	-	-	-	-	-	-	-	-
Bernard Tuch	600,000	-	-	-	(600,000)	-	-	-	-
Robert Willcocks	600,000	-	-	-	(600,000)	-	-	-	-
Carolyn Sue	600,000	-	62,500	-	-	662,500	-	662,500	-
Andrew Kelly	-	-	-	-	-	-	-	-	-
KMP									
Daya Uka	300,000	500,000	-	-	(300,000)	500,000	-	-	500,000
Madhukar Bhalla	-	-	-	-	-	-	-	-	-
Belinda Di Bartolo	-	500,000	-	-	-	500,000	-	-	500,000
	2,100,000	1,000,000	375,000	-	(1,500,000)	1,975,000	-	975,000	1,000,000

Shareholding

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

	Balance at beginning of year	On exercise of options/rights	Other changes during the year	Balance at the end of the year
2024				
David Hainsworth ¹	5,625,000	20,000,000	-	25,625,000
Bradley Dilkes ²	32,150,000	20,000,000	-	52,150,000
Bradley Latham	-	10,000,000	10,000,000	20,000,000
Carolyn Sue	1,125,000	-	-	1,125,000
KMP				
Daya Uka	-	-	-	-
Madhukar Bhalla	-	-	-	-
Belinda Di Bartolo	-	-	-	-
	38,900,000	50,000,000	10,000,000	98,900,000
2023				
David Hainsworth ¹	-	-	5,625,000	5,625,000
Bradley Dilkes ²	-	-	32,150,000	32,150,000
Bernard Toch ³	61,335	-	(61,335)	-
Robert Willcocks	1,000,000	-	(1,000,000)	-
Carolyn Sue	1,000,000	-	125,000	1,125,000
Andrew Kelly	63,474	-	(63,474)	-
KMP				
Daya Uka	-	-	-	-
Madhukar Bhalla	-	-	-	-
Belinda Di Bartolo	-	-	-	-
	2,124,809	-	36,775,191	38,900,000

¹ The shares are held by a related entity: Union Square Capital Pty Ltd

² The shares are held by related entities: Cipater Pty Ltd and Cichli Pty Ltd

³ The shares are held by a related entity: DTU Pty Limited < The Beryl Super Fund >

This concludes the remuneration report which has been audited.

Directors' report

30 June 2024

Corporate governance statement

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

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

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



Director David Hainsworth

Dated: 30 August 2024

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024, there have been no contraventions of:

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

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



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

BRISBANE
30 AUGUST 2024

Algorae Pharmaceuticals Limited

Consolidated statement of profit or loss and other comprehensive income For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue			
Interest	2	125,200	42,016
Expenses			
Research and development	3	(738,980)	(1,308,350)
Share-based payments		(764,532)	(1,250)
Governance	3	(495,789)	(608,082)
Administrative		(201,422)	(211,812)
Loss on disposal of equipment		(2,109)	-
Total expenses		(2,202,832)	(2,129,494)
Operating loss		(2,077,632)	(2,087,478)
Foreign exchange loss		(17,930)	(20,180)
Loss before income tax		(2,095,562)	(2,107,658)
Income tax expense	4	-	-
Loss after income tax attributable to members of the parent entity		(2,095,562)	(2,107,658)
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		8,677	28,445
Total other comprehensive (loss)/income		8,677	28,445
Total comprehensive loss attributable to members of the parent entity		(2,086,885)	(2,079,213)
Earnings per share			
Basic loss per share (cents)	5	(0.13)	(0.16)
Diluted loss per share (cents)	5	(0.13)	(0.16)

Consolidated statement of financial position

As at 30 June 2024

	Note	2024 \$	2023 \$
ASSETS			
Current assets			
Cash	6	808,413	2,088,514
Term deposit	7	2,300,000	2,022,560
Trade and other receivables	8	42,777	95,917
Other assets		41,508	-
Total current assets		3,192,698	4,206,991
Non-current assets			
Property, plant and equipment		-	4,968
Total non-current assets		-	4,968
TOTAL ASSETS		3,192,698	4,211,959
LIABILITIES			
Current liabilities			
Trade and other payables	9	172,871	397,882
Employee benefit obligations	10	5,577	51,974
Total current liabilities		178,448	449,856
Total non-current liabilities		-	-
TOTAL LIABILITIES		178,448	449,856
NET ASSETS		3,014,250	3,762,103
EQUITY			
Issued capital	11	81,540,801	80,239,229
Reserves	11	557,072	4,250,938
Accumulated losses		(79,083,623)	(80,728,064)
Total equity attributable to equity holders of the Company		3,014,250	3,762,103
TOTAL EQUITY		3,014,250	3,762,103

Consolidated statement of changes in equity

For the year ended 30 June 2024

2024	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Share-based payment reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2023	80,239,229	(80,728,064)	3,614,015	636,923	3,762,103
Loss after income tax attributable to members of the parent entity	-	(2,095,562)	-	-	(2,095,562)
Total other comprehensive loss	-	-	8,677	-	8,677
Transfer within equity of amounts related to foreign operation disposed of in 2018	-	3,619,860	(3,619,860)	-	-
<i>Transaction with equity holders in their capacity as owners</i>					
Shares issued during the year	562,500	-	-	-	562,500
Transaction costs	(27,184)	-	-	-	(27,184)
Share-based payment	756,500	-	-	37,460	793,960
Option exercised	9,451	-	-	-	9,451
Option paid	305	-	-	-	305
Expired options	-	120,143	-	(120,143)	-
Balance at 30 June 2024	81,540,801	(79,083,623)	2,832	554,240	3,014,250

2023	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Share-based payment reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	78,949,518	(78,743,956)	3,585,570	243,692	4,034,824
Loss after income tax attributable to members of the parent entity	-	(2,107,658)	-	-	(2,107,658)
Total other comprehensive income	-	-	28,445	-	28,445
<i>Transaction with equity holders in their capacity as owners</i>					
Shares issued during the year	2,149,309	-	-	-	2,149,309
Transaction costs	(859,598)	-	-	515,531	(344,067)
Share-based payment	-	-	-	1,250	1,250
Expired options	-	123,550	-	(123,550)	-
Balance at 30 June 2023	80,239,229	(80,728,064)	3,614,015	636,923	3,762,103

Algorae Pharmaceuticals Limited

Consolidated statement of cash flows

For the year ended 30 June 2024

	Note	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(1,629,878)	(2,019,717)
Interest received		106,577	33,426
Net cash used in operating activities	17	(1,523,301)	(1,986,291)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipt of term deposit		3,022,560	978,204
Investment in term deposit		(3,300,000)	-
Net cash (used in)/provided by investing activities		(277,440)	978,204
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuing shares and options		562,805	2,149,309
Proceeds from exercise of options		9,451	-
Transaction costs paid		(49,260)	(299,067)
Net cash provided by financing activities		522,996	1,850,242
Effect of exchange rates on cash holdings in foreign currency		(2,356)	8,266
Net increase/(decrease) in cash held		(1,280,101)	850,421
Cash at beginning of year		2,088,514	1,238,093
Cash at end of financial year		808,413	2,088,514

Notes to the consolidated financial statements

For the year ended 30 June 2024

1. Material accounting policy information

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2024 has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the financial report conforms to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

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

(b) Critical accounting estimates and judgments

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

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

The separate financial statements and notes of the parent entity, Algorae Pharmaceuticals Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity disclosures are included in note 16.

Share-based payment

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

(c) Interest in subsidiaries/controlled entities

As at year end the assets and liabilities of all controlled entities have been included in the consolidated financial statements as well as their results for the year. The directors have deemed that control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. All controlled entities have a 30 June financial year end.

Notes to the consolidated financial statements

For the year ended 30 June 2024

1. Material accounting policy information (continued)

(c) Interest in subsidiaries/controlled entities (continued)

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

	Country of Incorporation	Percentage Owned (%) 2024	Percentage Owned (%) 2023
Parent entity and ultimate parent of the Group:			
Algorae Pharmaceuticals Limited	Australia		
Subsidiaries:			
Living Cell Products Pty Ltd	Australia	100	100
Living Cell Technologies New Zealand Ltd	New Zealand	100	100

Percentage of voting power is in proportion to ownership

(d) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2024

1. Material accounting policy information (continued)

(e) Comparative amounts

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

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

(f) Goods and services tax (GST)

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

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

(g) Adoption of new and revised accounting standards

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

(h) Going concern

These financial statements have been prepared on a going concern basis. The Group incurred a loss after income tax attributable to members of the parent entity of \$2,095,562 (2023: \$2,107,658) and incurred negative cash flows from operations of \$1,523,301 (2023: \$1,986,291).

As at 30 June 2024 the Group had \$808,413 cash in the bank and \$2,300,000 term deposits, compared to \$2,088,514 cash in bank and \$2,022,560 term deposit at 30 June 2023. This balance is projected to allow the planned level of operations to continue for at least 12 months from the date of authorisation of this financial report. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

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

Notes to the consolidated financial statements

For the year ended 30 June 2024

2. Revenue and other income

	2024	2023
	\$	\$
Other income		
Interest income	125,200	42,016
	125,200	42,016

3. Expenses

Expenses include the following:

	2024	2023
	\$	\$
Depreciation	-	559
Employee benefits	346,006	366,752
Third party services	166,904	137,166
Other research and development expenses	226,070	803,873
Research and development expenses	738,980	1,308,350
Director fee	170,000	243,730
Consultancy	94,544	103,791
Other governance expenses	231,245	260,561
Governance expenses	495,789	608,082

4. Income tax expense

Reconciliation of income tax to accounting loss:

	2024	2023
	\$	\$
Loss before income tax	(2,095,562)	(2,107,658)
Effective tax rate	25%	25%
	(523,891)	(526,915)
Add tax effect of:		
- Non-deductible expenditure	237,784	-
- Difference in overseas tax rates	(7,909)	7,498
- Deferred tax assets not brought into account	294,016	519,417
Income tax expense	-	-

Tax losses

	2024	2023
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	46,371,008	34,442,850
Potential tax benefit at 25% AU (2023: 25%)	8,639,361	8,610,713
Potential tax benefit at 28% NZ	3,307,798	2,981,354

Notes to the consolidated financial statements

For the year ended 30 June 2024

5. Loss per share

Reconciliation of earnings to profit or loss from continuing operations:

	2024	2023
	\$	\$
Loss used in calculation of basic and diluted EPS	(2,095,562)	(2,107,658)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,663,114,200	1,346,990,359
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating diluted EPS	1,663,114,200	1,346,990,359
Basic loss per share (cents)	(0.13)	(0.16)
Diluted loss per share (cents)	(0.13)	(0.16)

Share options are considered to be potential ordinary shares. The options are not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

6. Cash

	2024	2023
	\$	\$
Cash at bank	808,413	2,088,278
Petty cash	-	236
	808,413	2,088,514

7. Term deposit

	2024	2023
	\$	\$
3-6 months term deposit	2,300,000	2,022,560
	2,300,000	2,022,560

8. Trade and other receivables

	2024	2023
	\$	\$
Accrued interest	28,972	10,309
Other receivables	13,805	85,608
Total current trade and other receivables	42,777	95,917

Aged analysis

At 30 June 2024, there were no past due trade receivables, bad debts or doubtful debts (2023: Nil).

Allowance for impairment

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. A provision for impairment loss is recognised when there is objective evidence than an individual trade receivable is impaired. There is no impairment loss for the current year (2023: \$Nil) for the Company.

Notes to the consolidated financial statements

For the year ended 30 June 2024

9. Trade and other payables

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

	2024	2023
	\$	\$
Unsecured liabilities		
Trade payables	116,711	184,184
Accrued expenses	56,160	213,698
Total trade payables and other payables	172,871	397,882

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

10. Employee benefit obligations

	2024	2023
	\$	\$
Opening balance	51,974	42,452
Leave accrued	19,737	33,642
Leave taken	(6,346)	(24,120)
Leave payout	(59,788)	-
Balance at end of the year	5,577	51,974

Recognition and measurement

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

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

11. Issued capital and reserves

	No. of shares	Issue price	\$
Balance as at 30 June 2022	1,285,363,823		78,949,518
Placement shares issued on 09 March 2023	100,000,000	0.0075	750,000
Rights issue shares issued on 21 April 2023	88,034,555	0.0080	704,277
Shortfall issue shares issued on 03 May 2023	86,746,610	0.0080	693,973
Exercise of options	781	0.0125	9
Proceeds from options	-	-	1,050
Share issue transaction costs net of tax	-	-	(859,598)
Balance at 30 June 2023	1,560,145,769		80,239,229

Notes to the consolidated financial statements

For the year ended 30 June 2024

11. Issued capital and reserves (continued)

	No. of shares	Issue price	\$
Balance at 30 June 2023	1,560,145,769		80,239,229
Placement shares issued on 10 July 2023	75,000,000	0.0075	562,500
Creditor payment shares issued on 08 November 2023	500,000	0.0130	6,500
Shares issued on conversion of performance rights on 09 November 2023	20,000,000	0.0150	300,000
Shares issued on conversion of performance rights on 09 November 2023	5,000,000	0.0140	70,000
Shares issued on conversion of performance rights on 28 December 2023	20,000,000	0.0150	300,000
Shares issued on conversion of performance rights on 28 December 2023	5,000,000	0.0140	70,000
Share-based remuneration shares issued on 24 April 2024	1,000,000	0.0100	10,000
Exercise of options	595,000	0.0120	7,140
Exercise of options	153,962	0.0150	2,311
Proceeds from options	-	-	305
Share issue transaction costs net of tax	-	-	(27,184)
Balance at 30 June 2024	1,687,394,731		81,540,801

Reserves	2024	2023
	\$	\$
Options	539,708	636,923
Performance rights	14,532	-
Share-based payment reserve	554,240	636,923
Foreign currency translation reserve	2,832	3,614,015
Total reserves	557,072	4,250,938

As part of the 2.5 million capital raise announced on 1st March 2023, the Company issued 75,000,000 shares at \$0.0075 as a post-rights issue over allotment offer (Greenshoe Placement) to raise an additional A\$562,500. The 37,500,000 options were issued under the Greenshoe Placement for no monetary consideration with exercise price of \$0.012 and expiry date of 31 March 2026.

In addition, the Company also issued 5,625,000 options to its broker in connection with the capital raising commenced in year 2023 and completed during in year 2024. The options vested immediately, having an exercise price of \$0.012, and expire on 31 March 2026. The estimated fair value of \$22,930 is included within expenses related to capital raising.

As at 30 June 2024, the Company had 307,402,327 options on issue, detailed as follows:

Listed Options

24 February 2023 - Lead Manager Options	31-Mar-26	\$0.012	126,482,493
09 March 2023 - Placement Options	31-Mar-26	\$0.012	50,000,000
21 April 2023 - Rights Issue Options	31-Mar-26	\$0.012	44,017,310
04 May 2023 - Rights Issue Shortfall Options	31-Mar-26	\$0.012	43,373,305
10 July 2023 - Placement Options	31-Mar-26	\$0.012	37,500,000
10 July 2023 - Lead Manager Options	31-Mar-26	\$0.012	5,625,000
Exercise of options	31-Mar-26	\$0.012	(595,781)
			306,402,327

Notes to the consolidated financial statements

For the year ended 30 June 2024

11. Issued capital and reserves (continued)

Listed Options

01 September 2022 - KMP Options	01-Sep-24	\$0.132	1,000,000
			<u>1,000,000</u>

Ordinary Shares

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

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

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

Capital management

Capital of the Group is managed to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

The Group's capital comprises shares.

There are no externally imposed capital requirements.

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

Share Based Payments

Recognition and measurement

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2024

11. Issued capital and reserves (continued)

During the year, the Company granted 100,000,000 performance rights to directors. Set out below is a summary of rights granted:

Holder(s)	Tranche A		Tranche B		Tranche C		Tranche D	
	Dilkes / Hainsworth ¹	Latham	Dilkes / Hainsworth ¹	Latham	Dilkes / Hainsworth ²	Latham	Dilkes / Hainsworth ²	Latham
Valuation methodology	Black Scholes		Black Scholes		Monte Carlo		Black Scholes	
Grant date	1-Sep-23	2-Nov-23	1-Sep-23	2-Nov-23	1-Sep-23	2-Nov-23	1-Sep-23	2-Nov-23
Vesting date	Upon satisfaction of performance condition		Upon satisfaction of performance condition		Upon satisfaction of market condition		Upon satisfaction of performance condition	
Expiry date	1-Sep-26	1-Sep-26	1-Sep-26	1-Sep-26	1-Sep-26	1-Sep-26	1-Sep-26	1-Sep-26
Share price at grant date (\$)	0.015	0.014	0.015	0.014	0.015	0.014	0.015	0.014
Exercise price (\$)	nil	nil	nil	nil	nil	nil	nil	nil
Risk-free rate (%)	3.657	3.31	3.657	3.31	3.657	3.31	3.657	3.31
Volatility (%)	100	100	100	100	100	100	100	100
Fair value per performance right granted (\$)	0.015	0.014	0.015	0.014	0.0133	0.0124	0.015	0.014
No. of performance rights granted per holder	10,000,000	5,000,000	10,000,000	5,000,000	10,000,000	5,000,000	10,000,000	5,000,000
Total no. of performance rights granted	20,000,000	5,000,000	20,000,000	5,000,000	20,000,000	5,000,000	20,000,000	5,000,000
Fair value (\$)	300,000	70,000	300,000	70,000	266,000	62,000	300,000	70,000
No. of performance rights that vested and converted to ordinary shares during the period	20,000,000	5,000,000	20,000,000	5,000,000	-	-	-	-
Expensed during the period (\$)	300,000	70,000	300,000	70,000	-	14,532	-	-

¹ Performance rights held by Dilkes and Hainsworth that vested during the year and converted to shares.

² Performance rights held by Dilkes and Hainsworth that did not vest during the year were forfeit.

On 22 February 2024, Algorae announced a breach of listing rule 10:11 and subsequent remediation plan agreed with ASX concerning the issuance of performance rights to directors Mr David Hainsworth and Mr Bradley Dilkes being issued after the statutory window following shareholder approval under the ASX rules. The extraordinary general meeting on 26 March 2024 approved the retention of shares issued to the directors as part of their remuneration. Outstanding performance rights have been forfeited by the directors David Hainsworth and Bradley Dilkes.

Notes to the consolidated financial statements

For the year ended 30 June 2024

11. Issued capital and reserves (continued)

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

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

During the year ended 30 June 2024, no further share options were issued to employees or KMP of the Company and no ordinary shares were issued on the exercise of previously options granted.

Set out below is a summary of unexpired options previously granted to employees and KMP of the Company:

	Number of options	Exercise price per option \$	Value per option at grant date \$	Grant date	Vesting date	Expiry date	Vested during period %	Forfeited / lapsed during period %
KMP								
Daya Uka	500,000	0.1320	0.1320	01-Sep-22	01-Sep-23	01-Sep-24	-	-
B Di Bartolo	500,000	0.1320	0.1320	01-Sep-22	01-Sep-23	01-Sep-24	-	-

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

The weighted average exercise price of options granted during the year was \$0.012 (2023: \$0.0125). The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.75 years (2023: 2 years).

During the year, the Group granted 5,625,000 options issued as share-based payments. The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date \$
10 July 2023	31-Mar-26	0.0095	0.0120	70%	-	3.52	22,927

Foreign currency translation reserve

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

Option reserve

The option reserve reflects the accumulated expenses associated with the granting of outstanding options to directors and staff.

Notes to the consolidated financial statements

For the year ended 30 June 2024

12. Currency translation rates

	NZD 2024	NZD 2023
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.92	0.92
Weighted average rates for the year used for the consolidated statements of profit or loss and other comprehensive income and cash flows, to translate the following currencies into Australian dollars (AUD), are:	0.93	0.92

NZD = NZ dollar

13. Commitments for expenditure

On 31 August 2023 Algorae entered into Research Service Agreement with La Trobe University. Under the agreement, La Trobe University will comprehensively study the effects of Cannabidiol and Donepezil Hydrochloride, their combinations, and their interactions with Beta-Amyloid and glutamate on cell viability, cell death, AchE activity, and molecular at the genetic level. Term of the service is ending 12 months from the commencement date. Fee and allowances (excluding GST) for the service include:

- \$3,500 per week for the duration of the agreement
- \$4,000 for RNA sequencing, plus
- Consumables as required to be invoiced retrospectively from time to time.

Through 30 June 2024, the Company had recognized the related expenditure of \$140,000.

On 26 September 2023 Algorae entered into variation to NGETGP Program Agreement to participate in Next Generation AI Graduate Program (NGETGP) for the "AI-enabled Medical Technologies: From Diagnostics to Therapeutics" program. Algorae's participant cash contribution for the program is \$180,000, of which the payments to universities for student scholarships and allowances will be made on execution of Student Agreements and then after receipt by CSIRO of the 6 monthly Milestone Reports from each University. No expenditure has been recognized by the Company through 30 June 2024.

On 20 October 2023 Algorae entered into a Master Research Agreement with The University of New South Wales. The primary objective of this project is to develop an AI predictive modelling platform to harness complex data derived from extensive molecular screening profiles, molecular structures, drug targets, omics profiles, among others to identify novel combination drug candidates and repositioning opportunities through AI-enabled predictive modelling. The total fee for the research service is \$726,565 (excluding GST). No expenditure has been recognized by the Company through 30 June 2024.

Algorae entered into Research Service Agreement of which Monash University will perform pre-clinical investigation of beta blockers in combination with Algorae compounds for disorders related to vascular cell dysfunction, commencing on 01 December 2023. Total fee for the research service is \$253,000 (excluding GST). Through 30 June 2024, the Company had recognized the related expenditure of \$10,000.

Notes to the consolidated financial statements

For the year ended 30 June 2024

14. Key management personnel disclosures

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

	2024	2023
	\$	\$
Short term employee benefits	381,579	570,708
Post-employment benefits	12,905	48,432
Share-based payments	754,532	1,250
Total	1,149,016	620,390

Short-term employee benefits

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

Post-employment benefits

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

Share-based payments

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

Note 14 contains details of the remuneration paid or payable to each member of the key management personnel for the year ended 30 June 2024.

15. Related parties

Parent entity:

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

Loans

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

Key management personnel

Disclosures relating to key management personnel have been set out in note 14 and the Directors' Report.

Entities subject to significant influence by the Group

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

Subsidiaries

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

Other Transactions with related parties

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

Notes to the consolidated financial statements

For the year ended 30 June 2024

15. Related parties (continued)

Alignment is not considered to be a related party of Algorae.

16. Parent entity disclosures

	2024	2023
	\$	\$
Statement of financial position		
Current assets	3,166,873	4,107,999
Total assets	3,166,873	4,107,999
Current liabilities	(150,836)	(248,717)
Total liabilities	(150,836)	(248,717)
Net assets	3,016,037	3,859,282
Accumulated losses	(79,079,004)	(77,016,872)
Issued capital	81,540,801	80,239,231
Reserves	554,240	636,923
Total Equity	3,016,037	3,859,282
Statement of profit or loss and other comprehensive income		
Loss after income tax	(2,182,273)	(1,190,803)
Total comprehensive loss	(2,182,273)	(1,190,803)

The parent company has no guarantees, contingent liabilities or capital commitments as at 30 June 2024 or 30 June 2023.

17. Cash flow information

	2024	2023
	\$	\$
Cash at the end of the financial year as shown in the is reconciled to items in the consolidated statement of financial position as follows:		
Cash	<u>808,413</u>	<u>2,088,514</u>
Reconciliation of result for the year to cash flows used in operating activities.		
Loss for the year	<u>(2,095,562)</u>	<u>(2,107,658)</u>
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss for the year		
- depreciation	-	532
- net loss on disposal of asset	2,109	-
- net foreign currency (gains)/losses	13,896	20,180
- share, options and performance rights	771,032	1,250
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	53,140	(66,193)
- (increase)/decrease in other assets	(41,508)	-
- (decrease)/increase in trade and other payables	(180,011)	156,077
- (decrease)/increase in employee benefits	(46,397)	9,521
Cash flows used in operations	<u>(1,523,301)</u>	<u>(1,986,291)</u>

Notes to the consolidated financial statements

For the year ended 30 June 2024

18. Segment reporting

General information

Identification of reportable segments

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

The Group only operates one business segment being the research and development into living cell technologies, predominantly in New Zealand.

19. Financial risk management

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

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

The Group holds the following financial instruments

	2024	2023
Financial Assets	\$	\$
Cash	808,413	2,088,514
Term deposit	2,300,000	2,022,560
Trade and other receivables	42,777	95,917
Total financial assets	3,151,190	4,206,991
Financial Liabilities		
Trade and other payables	172,871	397,882
Total financial liabilities	172,871	397,882

Liquidity risk

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

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

	Within 1 Year		1 to 5 Years		Over 5 Years	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable						
Trade and other receivables	42,777	95,917	-	-	-	-
Trade and other payables	(172,871)	(397,882)	-	-	-	-
Total anticipated outflows	(130,094)	(301,965)	-	-	-	-

Notes to the consolidated financial statements

For the year ended 30 June 2024

19. Financial risk management (continued)

Interest rate risk

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

Interest rate risk sensitivity analysis

At 30 June 2024, the effect on profit/(loss) and equity as a result of changes in the interest rate, based on interest income at the average rate for the year, with all other variables remaining constant would be as follows:

	2024	2023
	\$	\$
+ 1% (100 basis points)	22,875	55,865
- 0.5% (50 basis points)	(11,438)	(27,933)

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

Credit risk

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

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

Foreign currency risk

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

2024	NZD Total
Consolidated	
Cash	9,937
Trade and other receivables	793
Trade and other payables	(30,013)
	USD Total
Consolidated	
Trade and other payables	(8,400)

Notes to the consolidated financial statements

For the year ended 30 June 2024

19. Financial risk management (continued)

2023	NZD Total
Consolidated	
Cash	7,834
Trade and other receivables	5,886
Trade and other payables	(179,043)

Foreign currency risk sensitivity analysis

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

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

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

	Increase by 5%	Decrease by 5%
2024	965	(1,927)
2023	41,129	(45,458)

Price risk

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

20. Remuneration of auditors

	2024	2023
	\$	\$
Audit and review of financial statements:		
– Group - Australian based subsidiaries	65,000	84,000
– Controlled entities - the New Zealand based subsidiaries	-	18,332
Total audit and review of the financial statements	65,000	102,332
– Other assurance services	-	-
Total services provided	65,000	102,332

Notes to the consolidated financial statements

For the year ended 30 June 2024

21. Contingent assets and liabilities

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

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

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

22. Events occurring after the reporting date

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

23. Company Detail

The registered office of the Company is:

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

Consolidated entity disclosure statement

As at 30 June 2024						
Name of entity	Type of entity	Trustee, partner or participant in JV	% of share capital	Place of business/ country of incorporation	Australian resident or foreign resident	Foreign jurisdiction(s) of foreign residents
Algorae Pharmaceuticals Limited	Body corporate	-	-	Australia	Australian	n/a
Living Cell Products Pty Ltd	Body corporate	-	100	Australia	Australian	n/a
Living Cell Technologies New Zealand Limited	Body corporate	-	100	Australia	Foreign	New Zealand

Basis of preparation

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

Determination of tax residency

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

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

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

Algorae Pharmaceuticals Limited

Director's declaration

The directors of Algorae Pharmaceuticals Limited declare that:

1. the financial statements and notes for the year ended 30 June 2024 are in accordance with the *Corporations Act 2001* and:
 - comply with the *Corporations Regulations 2001* and the Accounting Standards, which, as stated in accounting policy notes as set on pages 21 to 37 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - give a true and fair view of the financial position and performance of the Group;
2. the Chief Financial Officer and Chief Executive Officer have given the declarations required by Section 295A of the *Corporations Act 2001*.
3. the consolidated entity disclosure statement on page 38 is true and correct;
4. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Director: David Hainsworth

Dated: 30 August 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALGORAE PHARMACEUTICALS LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Algorae Pharmaceuticals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

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

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Valuation of performance rights

Why significant

During the year ended 30 June 2024, the Company issued a significant number of performance rights to its directors, which were accounted for as share-based payments under AASB 2: *Share-based Payment*.

The Company engaged an independent valuation expert to assist in determining the fair value of the performance rights.

Tranche	No. Issued	Fair Value \$	Expensed during FY24 \$
A	25,000,00	370,000	370,000
B	25,000,00	370,000	370,000
C	25,000,00	328,508	14,532
D	25,000,00	370,000	-
			754,532

Total share-based payment expense for the year, including expense recognised in relation to the amortisation of the fair value of securities issued as share-based payments, totalled \$764,532.

This is a key audit matter for the following reasons:

1. The Company valued the options using either the Black Scholes model or a Monte Carlo simulation, both of which have inputs such as volatility and risk-free rate that require judgement.

How our audit addressed the key audit matter

Our audit procedures included but were not limited to:

- Obtaining an understanding of the key terms and conditions of the performance rights by inspecting relevant supporting documentation.
- Considering the objectivity, competence, experience and scope of the engagement of the independent expert appointed by the Company; and
- Assessing the reasonableness of key inputs used the valuation model; and
- Considering the adequacy of the Company's disclosures in respect of the performance rights and other share-based payments, including significant judgments involved.

Why significant

2. Performance rights were highly significant to the Group's financial performance (i.e., expense related to performance rights accounted for 98.69% of share-based payments expense and 34.25% of total expenses during the year).
3. Additional considerations were required in relation to the impact of the breach of ASX Listing Rule 10:11 announced to the market on 22 February 2024.

Refer to Notes 1(b) and 11 to the financial statements for a description of the accounting policy, significant estimates and judgements applied, and other details in relation to the performance rights.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

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

- c) for such internal control as the directors determine is necessary to enable the preparation of:
 - i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
 - ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has 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: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024. 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.

Opinion

In our opinion, the Remuneration Report of Algorae Pharmaceuticals Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.



PKF BRISBANE AUDIT



LIAM MURPHY

PARTNER

BRISBANE

30 August 2024

Algorae Pharmaceuticals Limited

Additional information for listed public companies

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 26 August 2024.

Substantial shareholders

Name of shareholder	Share held	% of issued shares
MS CHUNYAN NIU	93,251,315	5.53

Voting rights

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

No voting rights.

Distribution of equity security holders at 26 August 2024

Holding	Holders	Shares
above 0 up to and including 1,000	182	42,413
above 1,000 up to and including 5,000	335	1,034,214
above 5,000 up to and including 10,000	289	2,345,705
above 10,000 up to and including 100,000	1,209	53,109,094
above 100,000	787	1,630,863,305
Totals	2,802	1,687,394,731

There were 1,670 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders at 26 August 2024

Holder Name	Number Held	% of issued shares
MS CHUNYAN NIU	93,251,315	5.53
CITICORP NOMINEES PTY LIMITED	73,457,456	4.35
EZR SYSTEMS PTY LTD	50,366,666	2.98
AAL INVESTMENT HOLDINGS PTY LTD	47,930,832	2.84
MR BRIAN PETER BYASS	46,336,792	2.75
BROWNNARROWS PTY LTD <EJM A/C>	42,000,000	2.49
ALIGNMENT CAPITAL PTY LTD	41,000,000	2.43
EXP1 ASSET MANAGEMENT PTY LTD <EXP1 A/C>	40,000,000	2.37
MR BIN LIU	36,600,000	2.17
ASP CAPITAL MANAGEMENT PTY LTD <ABG FAMILY A/C>	36,500,000	2.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,665,289	1.82
MASFEN SECURITIES LIMITED	27,305,418	1.62
CIPATER PTY LTD	27,150,000	1.61
OTSUKA PHARMACEUTICAL FACTORY INC	25,000,000	1.48
ROCKAWAY PTY LTD <ROCKAWAY S/F A/C>	24,000,000	1.42
MR BRADLEY ROLAND LATHAM	20,000,000	1.19
MR DAVID HAINSWORTH	20,000,000	1.19
MR BRADLEY DILKES	20,000,000	1.19
ELLAZ PTY LTD <THE RIPPER FAMILY A/C>	19,528,291	1.16
MALCORP (AUST) PTY LTD <MALYNIK SUPER FUND A/C>	19,518,750	1.16
MRS HELEN EVANGEL & MR VASILIOS EVANGEL	17,845,935	1.06
MS SASHA PARISSIS	16,850,000	1.00

Additional information for listed public companies

Securities exchange

The Company is listed on the Australian Securities Exchange.