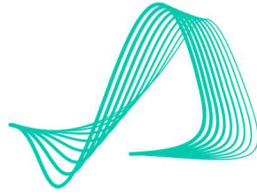


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ALGORAE
PHARMACEUTICALS

Algorae Pharmaceuticals Limited

(Formerly Living Cell Technologies Limited)

Consolidated Interim Financial Report

31 December 2023

Algorae Pharmaceuticals Limited

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Algorae Pharmaceuticals Limited

Directors' Report

31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity consisting of Algorae Pharmaceuticals Limited (1AI, "the Company") and its controlled entities for the financial half year ended 31 December 2023.

1. General Information Directors

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

Name

David Hainsworth

Bradley Dilkes

Bradley Latham Appointed 3 July 2023

Carolyn Sue Resigned 1 July 2023

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

2. Business Review

(a) Operating results

The consolidated comprehensive loss after tax for the half year amounted to \$1,458,398 (2022 loss: \$1,302,937). This was attributable to:

- Research and development costs to progress the Company's research programs, including AI-116 for dementia, AI-168 for cardiovascular disease, NTCELL for Parkinson's disease and AlgoraeOS, a proprietary artificial intelligence enabled drug discovery platform in partnership with the University of New South Wales.
- One-off costs associated with redundancies in the business, which serve to streamline the company's operations and optimise cashflow.

(b) Review of operations

Algorae 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.

Development of Algorae AI Operating System with UNSW

During the first half of FY2024, Algorae executed an agreement with University of NSW ('UNSW') to develop a proprietary artificial intelligence (AI) enabled platform for biopharmaceutical prediction of both combination drug targets and repurposed drug targets agnostic to medical indication.

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Algorae Pharmaceuticals Limited

Directors' Report

31 December 2023

2. Business Review (continued)

(b) Review of operations (continued)

Known as Algorae Operating System (AlgoraeOS), the platform under development, in collaboration with AI experts from UNSW AI Institute, will predict synergistic combination drug targets using machine learning, deep learning, and neural network algorithms over a multitude of extensive and multi-disciplinary public and private databases. Existing past and present registered drugs and other therapeutic molecules are included in the databases.

AlgoraeOS will predict an AI-generated and AI-enhanced drug targets and ultimately a diversified therapeutic development pipeline for the Company. Ongoingly, insights from the AI platform will enhance the development of those drug targets. Algorae also intends to seek licensing, development and commercialisation partnerships over AI-generated drug targets and insights over specific medical indications.

Algorae retains 100% ownership rights to all project intellectual property, including synergistic combination drug targets. The first version of AlgoraeOS, available in Q2 or Q3 of CY2024, will be immediately capable of deriving insights for the Company and will be enhanced in iterative upgrades by incorporating additional data, data modalities and adopting the latest AI technology. AlgoraeOS will also encompass a specialisation in predicting therapeutic utility of cannabinoid combination drug targets - a key differentiating aspect of the platform to those being developed by international peer companies.

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

In October 2023, Algorae 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 three years.

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

AI-116 Drug Candidate for Dementia

Preclinical studies associated with AI-116 continued at La Trobe University (LTU). AI-116 comprises a cannabinoid and another off-patent pharmaceutical drug. The preclinical studies being undertaken employ a suite of state-of-the-art experimental techniques, which are expected to provide valuable insights into the mechanism of action of AI-116, including by comparing the efficacy of AI-116 to an existing class of drugs used to treat dementia.

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Algorae Pharmaceuticals Limited

Directors' Report

31 December 2023

2. Business Review (continued)

(b) Review of operations (continued)

In vitro studies are underway, and results are anticipated in multiple deliverable time frames to be announced to ASX as they are received and analysed. The results will guide the next steps in the R&D program for AI-116 and potentially serve to underpin further patent applications to develop intellectual property assets that align with the Company's commercial interests.

AI-168 Drug Candidate for Cardiovascular Disease

Algorae executed a research agreement with Monash University (Monash) to undertake an extensive range of preclinical 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 preclinical 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 preclinical 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.

Algorae Engages HL Pharma to Warehouse Cannabinoid Compounds

In December, 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 holds relevant licenses to import and supply pharmaceutical ingredients, including schedule 2 to schedule 9 substances. Under the agreement with Algorae, 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 pharmaceutical ingredients ordered to date comprise a range of under-studied alternative cannabinoids (not CBD or THC) for research in a range of medical indications either alone or in combination with other pharmaceutical compounds.

The additional cannabinoids are intended to be integrated into existing programs being undertaken by our research partners La Trobe and Monash University. These under-studied alternative cannabinoids will also be assessed in ways intended to enhance the predictive capabilities of AlgoraeOS over cannabinoid combination drug targets.

NTCELL for Parkinson's Disease

During the first half of FY2023, Algorae continued to progress a scientific review of the NTCELL clinical trial protocol and development plan with a primary focus on assessing potential enhancements to the therapeutic value of NTCELL. The NTCELL scientific review is being overseen by the Company's chief scientific officer Dr James McKenna.

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Algorae Pharmaceuticals Limited

Directors' Report

31 December 2023

3. Financial Review

(a) Financial position

The net assets of the consolidated entity have decreased by \$142,622 from \$3,762,103 at 30 June 2023 to \$3,619,481 as at 31 December 2023. The net asset decrease reflects the funds used to progress the Company's research programs and general operating activities.

(b) Cash from operations, investing and financing

Net cash outflow from operating activities decreased from \$1,152,499 in the previous period to 31 December 2022 to \$1,008,594 in the current period, due to cost reductions. Most of the funds were used to progress the Company's research programs.

4. Liquidity and funding

This interim financial report has been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of \$1,451,090 (2022: 1,306,520) and incurred negative cash flows from operations of \$1,008,594 (2022: \$1,152,499).

As at 31 December 2023 the consolidated entity had \$622,446 cash in bank and \$3,000,000 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 interim financial report. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available. The directors are also aware that additional funding streams will need to be in place before year-end.

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

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

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

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

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Algorae Pharmaceuticals Limited

Directors' Report

31 December 2023

5. Other Items

(a) Significant events

On 1 September 2023, the Company announced that it had executed a research agreement with La Trobe University to undertake an array of pre-clinical studies to assess the Company's cannabinoid-based combination drug, known as AI-116. The term of the research is 12 months from the commencement date.

On 11 September 2023, the Company announced that it had executed a memorandum of understanding (MOU) with the University of New South Wales (UNSW). The MOU outlines a framework for a Master Service Research Agreement between UNSW and the Company, to develop a sophisticated artificial intelligence (AI) platform, to be named AlgoraeOS. On 25 October 2023, the Company announced that it has executed a formal agreement with UNSW to develop AlgoraeOS, a proprietary AI-enabled platform for biopharmaceutical prediction of drug candidates and enhanced development outcomes. The first version of AlgoraeOS will be delivered within 6 – 9 months and immediately capable of deriving insights for the Company.

On 31 October 2023, the Company announced that it had entered into a multiparty agreement including the University of NSW and the Company to become an industry participant to the next generation Artificial Intelligence (AI) Graduate Program (NGAIGP), established and operated by Australian's national science agency, CSIRO.

On 23 November 2023, the Company announced that it had executed a research agreement with Monash University to undertake an extensive range of pre-clinical studies to further assess the Company's cannabinoid-based combination drugs, known as AI-168, in various cardiovascular models.

On 28 December 2023, the Company announced that it had executed an agreement with HL Pharma to import and warehouse company-owned cannabinoid and other compounds for distribution to its research partner as required.

(b) Subsequent events

After the end of the half year, Algorae announced a breach of listing rule 10:11 and subsequent remediation plan agreed with ASX. The announcement about the breach was made to ASX on 22 February 2024 and concerns 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. An extraordinary general meeting has been called by the Company, to take place on the 26th of March 2024 to vote on 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.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Algorae Pharmaceuticals Limited

Directors' Report

31 December 2023

5. Other Items (continued)

(c) Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the half year ended 31 December 2023 has been received and can be found on page 7 of the financial report.

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

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

Dated at Melbourne on the 28th day of February 2024



Director:

David Hainsworth (Executive Chairman)

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2023, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



PKF BRISBANE AUDIT



**LIAM MURPHY
PARTNER**

**28 FEBRUARY 2024
BRISBANE**

Algorae Pharmaceuticals Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year to 31 December 2023

		31 Dec 2023	31 Dec 2022
	Note	\$	\$
Revenue			
Interest		50,581	8,494
Total revenue and other income		50,581	8,494
Expenses			
Research and development		(405,492)	(929,457)
Share-based payments	7	(743,603)	(1,250)
Governance		(246,075)	(251,813)
Administrative		(106,056)	(128,211)
Total expenses		(1,501,226)	(1,310,731)
Operating loss		(1,450,645)	(1,302,237)
Foreign exchange loss		(445)	(4,283)
Loss before income tax		(1,451,090)	(1,306,520)
Income tax expense		-	-
Loss after income tax		(1,451,090)	(1,306,520)
Other comprehensive income			
Exchange difference on translation of foreign operations		(7,308)	3,583
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,458,398)	(1,302,937)
Earnings per share:			
From continuing operations:			
Basic loss per share (cents)	2	(0.09)	(0.10)
Diluted loss per share (cents)	2	(0.09)	(0.10)

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2023 Annual Report.

Algorae Pharmaceuticals Limited

Consolidated Statement of Financial Position

As at 31 December 2023

		31 Dec 2023	30 Jun 2023
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash		622,446	2,088,514
Term deposit		3,000,000	2,022,560
Trade and other receivables	4	69,127	95,917
Other assets	5	66,421	-
TOTAL CURRENT ASSETS		3,757,994	4,206,991
NON-CURRENT ASSETS			
Property, plant & equipment		1,647	4,968
TOTAL NON-CURRENT ASSETS		1,647	4,968
TOTAL ASSETS		3,759,641	4,211,959
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		111,263	397,882
Short term provisions		28,897	51,974
TOTAL CURRENT LIABILITIES		140,160	449,856
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		140,160	449,856
NET ASSETS		3,619,481	3,762,103
EQUITY			
Share capital	6	81,528,475	80,239,229
Reserves		650,300	4,250,938
Accumulated losses		(78,559,294)	(80,728,064)
TOTAL EQUITY		3,619,481	3,762,103

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2023 Annual Report.

Algorae Pharmaceuticals Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2023

31 December 2023

	Note	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share-based Payment Reserve \$	Total \$
Balance at 1 July 2023		80,239,229	(80,728,064)	3,614,015	636,923	3,762,103
Loss attributable to members of the entity		-	(1,451,090)	-	-	(1,451,090)
Total other comprehensive income		-	-	(7,308)	-	(7,308)
Total comprehensive loss for the period		-	(1,451,090)	(7,308)	-	(1,458,398)
Transfer within equity of amounts related to foreign operation disposed of in 2018		-	3,619,860	(3,619,860)	-	-
Transactions with owners in their capacity as owners						
Shares issued during the period	6	562,500	-	-	-	562,500
Transaction costs	6	(27,184)	-	-	-	(27,184)
Share-based payments		746,500	-	-	26,530	773,030
Options exercised	6	7,125	-	-	-	7,125
Options paid		305	-	-	-	305
Balance at 31 December 2023		81,528,475	(78,559,294)	(13,153)	663,453	3,619,481

31 December 2022

		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 attributable to members of the entity		-	(1,306,520)	-	-	(1,306,520)
Total other comprehensive income		-	-	3,583	-	3,583
Total comprehensive loss for the period		-	(1,306,520)	3,583	-	(1,302,937)
Transactions with owners in their capacity as owners						
Share-based payments		-	-	-	1,250	1,250
Expired options		-	123,550	-	(123,550)	-
Balance at 31 December 2022		78,949,518	(79,926,926)	3,589,153	121,392	2,733,137

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2023 Annual Report.

Algorae Pharmaceuticals Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
Cash from operating activities:			
Payments to suppliers and employees		(1,039,717)	(1,161,331)
Interest received		31,123	8,832
Net cash used in operating activities		(1,008,594)	(1,152,499)
Cash from investing activities:			
Receipt of term deposit		2,022,560	994,506
Investment in term deposit		(3,000,000)	-
Net cash (used in)/provided by investing activities		(977,440)	994,506
Cash flows from financing activities:			
Net proceeds from issuing shares and options		513,545	-
Proceeds from exercise of options	6	7,125	-
Net cash provided by financing activities		520,670	-
Net decrease in cash		(1,465,364)	(157,993)
Cash at beginning of period		2,088,514	1,238,093
Exchange rate changes on cash		(704)	(700)
Cash at the end of the period		622,446	1,079,400

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2023 Annual Report.

Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2023

1. Statement of material accounting policies

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2023 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards AASB 134 Interim Financial Reporting.

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

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report made by Algorae Pharmaceuticals Limited for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2023, except for any new, revised or amended accounting standard and interpretation adopted in note 1(d).

(b) Critical accounting estimates and judgements

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

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees and/or directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model or an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation that takes into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments, including the determination of the vesting date, would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to Note 7 for further information.

(c) Going concern

This interim financial report has been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of \$1,451,090 (2022: \$1,306,520) and incurred negative cash flows from operations of \$1,008,594 (2022: \$1,152,499).

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Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2023

(c) Going concern (continued)

As at 31 December 2023 the consolidated entity had \$622,446 cash in bank and \$3,000,000 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 interim financial report. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

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

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

The consolidated entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There was no material impact on the interim financial report from the adoption of these new accounting standards.

2. Losses per share

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

	31 Dec 2023	31 Dec 2022
Losses used to calculate basic EPS	\$(1,451,090)	\$(1,306,520)
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	1,639,786,804	1,285,363,823
(Loss) per share (cents)	(0.09)	(0.10)
Diluted (loss) per share (cents)	(0.09)	(0.10)

3. Net assets backing

	31 Dec 2023	30 Jun 2023
Net tangible assets per ordinary share (cents per share)	0.21	0.24

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Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2023

4. Trade and other receivables

	31 Dec 2023	30 Jun 2023
	\$	\$
GST receivables	38,923	85,456
Accrued interest	29,768	10,309
Other receivables	436	152
Total	<u>69,127</u>	<u>95,917</u>

5. Other assets

	31 Dec 2023	30 Jun 2023
	\$	\$
Prepayments	66,421	-
Total	<u>66,421</u>	<u>-</u>

6. Share capital

	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$	\$
Ordinary shares – fully paid	<u>1,686,239,419</u>	<u>1,560,145,769</u>	<u>81,528,475</u>	<u>80,239,229</u>

Movement in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	1,560,145,769		80,239,229
Issue of shares	10 July 2023	75,000,000	\$0.0075	562,500
Exercise of options	22 August 2023	500,000	\$0.0120	6,000
Payment of options	4 September 2023			68
Exercise of options	6 September 2023	93,650	\$0.0120	1,125
Payment of options	8 September 2023			169
Payment of options	11 September 2023			68
Creditor payment	8 November 2023	500,000	\$0.0130	6,500
Conversion of performance rights ¹	9 November 2023	20,000,000	\$0.0150	300,000
Conversion of performance rights	9 November 2023	5,000,000	\$0.0140	70,000
Conversion of performance rights ¹	28 December 2023	20,000,000	\$0.0150	300,000
Conversion of performance rights	28 December 2023	5,000,000	\$0.0140	70,000
Less: expenses related to capital raising				(27,184)
Balance	31 December 2023	<u>1,686,239,419</u>		<u>81,528,475</u>

¹ As per the Notice of Meeting and Explanatory Statement dated 22-Feb-24, performance rights granted to directors Dilkes and Hainsworth that vested and converted to shares will be subject to approval at EGM. Refer to Notes 7, 9 and 10 for more detail.

Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2023

7. Share-based payments

During the period, 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	-	3,603	-	-

As per the Notice of Meeting and Explanatory Statement dated 22 February 2024:

¹ Performance rights held by Dilkes and Hainsworth that vested during the period and converted to shares will be subject to approval at an EGM.

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

Refer to Notes 9 and 10 for additional details.

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Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2023

7. Share-based payments (continued)

In addition, the Company also issued 5,625,000 options to its broker in connection with the capital raising commenced in FY23 and completed during the half-year ended 31 December 2023. 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 disclosed at Note 6.

8. Segment reporting

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

9. Commitments and contingencies

The Company references the Notice of Meeting and Explanatory Statement, dated 22 February 2024 in respect to the Extraordinary General Meeting to be held on 26 March 2024. The Company notes that if shareholders do not approve resolution 1a and/or resolution 1b and subsequently approve resolution 2, then the Company will buy back the non-approved shares up to a maximum of 40,000,000 shares for nominal consideration of \$1.00 for the non-approved shares held by Mr Hainsworth, and \$1.00 for the non-approved shares held by Mr Dilkes. There will therefore be no material financial effect on the Company (save for the legal and administrative costs incurred in effecting the buy-back).

However, if resolution 2 is put to shareholders, and shareholders do not approve the resolution, then the Company will be required to procure the sale of the non-approved shares by the relevant holder(s), within a period acceptable to ASX (and in compliance with Algorae's securities trading policy), with any profits donated to a registered Australian charity (as necessitated by the ASX Requirements).

10. Subsequent events

After the end of the half year, Algorae announced a breach of listing rule 10:11 and subsequent remediation plan agreed with ASX. The announcement about the breach was made to ASX on 22 February 2024 and concerns 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. An extraordinary general meeting has been called by the Company, to take place on the 26th of March 2024 to vote on 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.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Algorae Pharmaceuticals Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2023

11. Company details

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

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Algorae Pharmaceuticals Limited

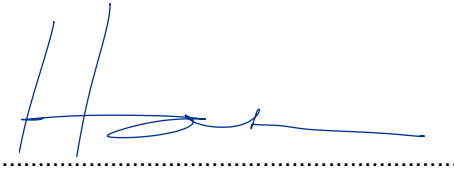
Directors' Declaration

The directors of Algorae Pharmaceuticals Limited declare that:

- (a) The financial statements and notes, as set out on pages 8 to 17 are in accordance with the Corporations Act 2001 including that they:
 - (i) give a true and fair view of the financial position as at 31 December 2023 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory reporting requirements.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Melbourne on the 28th day of February 2024



.....

Director

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ALGORAE PHARMACEUTICALS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Algorae Pharmaceuticals Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

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

Responsibility of the Directors for the Financial Report

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



Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A stylized, handwritten signature of the letters "PKF" in black ink.

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to be "Liam Murphy".

LIAM MURPHY
PARTNER

28 FEBRUARY 2024
BRISBANE

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