ISLAND
PHARMACEUTICALS
Antiviral therapeutics

Island Pharmaceuticals Limited

FY26 Annual Report

SOLVING URGENT
VIRAL DISEASE THREATS

Island Pharmaceuticals Limited
ACN 641 183 842

Contents

Corporate directory

Directors	Mr Jason Carroll - Non-Executive Chairman (appointed 2 July 2025) Dr David Foster - Executive Director & CEO Mr Christopher Ntoumenopoulos - Non-Executive Director Mr Phillip Lynch - Executive Chairman (resigned 2 July 2025)
Company secretary	Cameron Jones
Registered office	c/- Bio101 Financial Advisory Pty Ltd Level 1 - Suite 1 117 Camberwell Road Hawthorn East, VIC 3123
Principal place of business	Level 1 - Suite 1 117 Camberwell Road Hawthorn East, VIC 3123
Share register	Automic Pty Ltd Deutsche Bank, Tower Level 5 126 Phillip Street Sydney NSW 2000
Auditor	William Buck Level 20 181 William Street Melbourne VIC 3000
Stock exchange listing	Island Pharmaceuticals Limited shares are listed on the Australian Securities Exchange (ASX code: ILA)
Website	www.islandpharmaceuticals.com

Chair letter to shareholders

Dear fellow Shareholders,

FY2026 was a transformational year for Island Pharmaceuticals.

Over the 12-month period, we materially reshaped the Company through the acquisition and rapid advancement of Galidesivir, strengthened our financial position and established a clear development strategy centred on antiviral medicines addressing significant unmet medical, public health and biosecurity needs.

The acquisition of Galidesivir from BioCryst Pharmaceuticals in July 2025 was central to that transformation. It provided Island with 100% ownership of a clinical-stage, broad-spectrum antiviral with activity demonstrated against over 20 RNA viruses, supported by over US$70 million in historical US Government funding, human safety data and an extensive body of preclinical efficacy work.

Importantly, we did not acquire Galidesivir simply as another development asset. We saw an opportunity to use the substantial body of work already completed to pursue a differentiated regulatory and commercial strategy focused on medical countermeasures and biodefence.

The progress made since completing the acquisition has reinforced that strategy.

During FY26, engagement with the US Food and Drug Administration (FDA) progressed from initial discussions to clear alignment around the development of Galidesivir for Marburg Virus Disease under the FDA's Animal Rule. The FDA also confirmed that Galidesivir would qualify for a Tropical Disease Priority Review Voucher upon approval under this pathway and subsequently provided alignment around the animal model and two-stage development program required to progress towards a potential approval.

This regulatory progress has been accompanied by the establishment of relationships with some of the leading organisations involved in infectious disease and biodefence research in the US. Collaborations with USAMRIID, The Geneva Foundation and Texas Biomedical Research Institute provided Island with access to the specialist capabilities and infrastructure required to undertake the next stages of Galidesivir's development.

We've also worked deliberately to position Island within the broader US medical countermeasure ecosystem. Our engagement with US Government and health-security stakeholders, membership of the Medical Countermeasures Coalition and appointments of experienced biodefence and drug-development advisers have been undertaken with a longer-term objective in mind, which is to build the regulatory, scientific and institutional relationships required to pursue non-dilutive funding, government procurement and Strategic National Stockpile opportunities.

The opportunity for Galidesivir clearly expanded beyond Marburg following the end of FY26. In July, Island received all required government, regulatory and ethics approvals to enable compassionate use of Galidesivir during the Bundibugyo Ebola outbreak in Uganda under the World Health Organization's MEURI framework. Aside from the potential of saving lives, this also provides an opportunity to generate prospective human clinical, safety and virological data during an active outbreak, while complementing the controlled non-human primate development program being undertaken for Marburg.

While Galidesivir is now our principal development focus, ISLA-101 continues to provide valuable optionality. The successful completion of the PROTECT Phase 2a/b dengue trial has provided a clinical foundation from which we can assess broader development opportunities, while our collaboration with the Burnet Institute is examining the potential application of our antiviral assets against additional viral threats.

Chair letter to shareholders

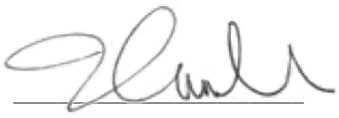
Supporting all of this activity is a significantly strengthened balance sheet. During FY26, Island raised $9 million through a strategic placement and received approximately $2.1 million through option exercises, ending the financial year with $12.87 million in cash. This provides the Company with the financial flexibility to undertake its planned clinical, regulatory and manufacturing activities while retaining capacity as additional opportunities emerge.

As a Board, our priority is to ensure that capital is directed towards activities capable of materially advancing our programs and creating long-term shareholder value. Galidesivir benefits from an unusually substantial body of historical investment and development work for a company of Island's size. Our task is to continue to leverage that foundation efficiently, while remaining disciplined about where and how we deploy shareholder capital.

FY27 therefore begins with Island in a substantially different position to where it began FY26. We have a clear lead program, an FDA-aligned regulatory pathway, two complementary Marburg dose-optimisation programs, an active GMP manufacturing campaign and a human development pathway for Ebola.

There remains considerable work ahead and, as with any clinical-stage biotechnology company, execution and regulatory risk remain. However, the progress achieved during FY26 has established a strong platform from which to undertake that work.

On behalf of the Board, I would like to thank David and the Island team, our scientific and clinical collaborators and advisers for their contribution throughout a very active year. I would also like to thank our shareholders, both longstanding and new, for their continued support.



Jason Carroll
Non-Executive Chairman
Island Pharmaceuticals Limited

CEO letter to shareholders

Dear Shareholders,

FY2026 was a defining year for Island Pharmaceuticals, during which we transformed the scale and focus of our antiviral portfolio and established a clear pathway for the next phase of the Company's development.

Our principal objective during the year was to acquire Galidesivir and then move quickly to translate the substantial body of existing clinical, preclinical, manufacturing and regulatory work behind the asset into an executable development program.

We completed the acquisition from BioCryst Pharmaceuticals on 31 July 2025 following extensive due diligence. In doing so, Island acquired 100% ownership of a clinical-stage broad-spectrum antiviral with activity demonstrated across over 20 RNA viruses, including Marburg, Ebola, MERS, Zika and Yellow Fever, and which had previously benefited from more than US$70 million in US Government funding.

The attraction of Galidesivir was not simply the breadth of its antiviral activity. The existing human safety data, non-human primate efficacy studies and regulatory history provided us with the opportunity to advance the program from a substantially more developed starting point than would ordinarily be available to a company of Island's size.

Following extensive data review and broad discussion, the Company's initial priority emerged as Marburg Virus Disease. Marburg is a severe haemorrhagic fever for which conventional human efficacy trials are not feasible. This makes the FDA's Animal Rule particularly relevant, as it provides a regulatory pathway under which efficacy may be demonstrated in appropriately validated animal models where human efficacy studies cannot ethically or practically be undertaken.

Following the acquisition, we engaged directly with the FDA under an existing IND. That process delivered an important series of outcomes during FY26. In November, the FDA confirmed that the Animal Rule was an appropriate regulatory pathway for Galidesivir in Marburg and that, an approval in Marburg, would qualify for a Tropical Disease Priority Review Voucher. Further correspondence in January provided alignment on important components of the animal model, including the Angola strain of Marburg virus, the cynomolgus macaque model and the proposed viral challenge dose.

Most importantly, the FDA outlined a two-stage pathway comprising dose-optimisation and pharmacokinetic studies followed by further engagement regarding the design of a pivotal confirmatory efficacy study. That guidance gave us a clear framework around which to organise the next phase of development.

During the year we entered into a Cooperative Research and Development Agreement with the US Army Medical Research Institute of Infectious Diseases and The Geneva Foundation. USAMRIID has extensive experience working with high-consequence infectious diseases and was directly involved in Galidesivir's historical development. The collaboration gives us access to the specialist BSL-4 infrastructure and expertise required to undertake FDA-directed non-human primate studies. We subsequently expanded the CRADA to progress a dose-optimisation study evaluating different treatment initiation timepoints and dosing regimens against the FDA-preferred Angola strain of Marburg.

We also established a relationship with Texas Biomedical Research Institute, providing a second specialist development pathway. Subsequent to year end, we executed a Statement of Work for a complementary study involving 12 non-human primates, designed to evaluate Galidesivir when treatment begins around the onset of clinical signs. Together, the USAMRIID and Texas Biomed programs are expected to generate data from 32 non-human primates and provide a broader dataset to support dose selection, pivotal study design and further FDA engagement.

CEO letter to shareholders

At the same time, we have been building the manufacturing capability required to support the program beyond these initial studies. In June, we commenced a new GMP manufacturing campaign with PI Health Sciences. This work includes analytical method validation, reference-standard preparation, stability studies and manufacture of GMP-grade Galidesivir. Existing inventory is available for our planned dose-optimisation work, while the new campaign is intended to support the subsequent pivotal program and provide greater flexibility for future outbreak-response and biodefence opportunities.

We also continued to strengthen the regulatory and commercial foundations of the asset. In June, Galidesivir received FDA Orphan Drug Designation for post-exposure prophylaxis of Marburg. This followed the earlier confirmation of the Animal Rule pathway and potential Priority Review Voucher eligibility and was another important milestone as we progressed the program towards its planned efficacy studies.

An important part of our strategy has been increasing Island's engagement with the US biodefence community. During FY26, we appointed Todd Strategy Group to support engagement with US Government and health-security stakeholders, joined the Medical Countermeasures Coalition and strengthened our internal expertise through the appointments of Mark Herzog as Senior Global Health Security Advisor and former BioCryst executive Raymond Taylor as Senior Scientific Fellow.

These initiatives are important because the potential value of Galidesivir extends beyond conventional pharmaceutical commercialisation. Medical countermeasures can have different development, funding and procurement pathways, and we are positioning Island to pursue potential non-dilutive US Government funding and, ultimately, procurement and Strategic National Stockpile opportunities.

The breadth of Galidesivir's potential was further demonstrated immediately following year end. In July, we announced that all government, regulatory and ethics approvals had been obtained to enable compassionate use of Galidesivir during the Bundibugyo Ebola outbreak in Uganda under the WHO-recognised MEURI framework.

This is important on two levels. First and foremost, it provides a mechanism through which Galidesivir may be made available to eligible patients during an outbreak where there are no approved therapeutic options. From a development perspective, it also provides an opportunity to prospectively collect human clinical, safety and virological data in Ebola.

This creates a complementary pathway alongside our Marburg program: prospective human data may potentially be generated in Ebola while the controlled non-human primate studies required by the FDA continue in Marburg.

ISLA-101 remains an important second asset within our portfolio. Following the successful Phase 2a/b PROTECT dengue trial, we continued during FY26 to assess opportunities for the program and broaden its potential application through new oral and IV formulation development. Our collaboration with the Burnet Institute is evaluating our existing antiviral assets against additional viral threats, including measles, chikungunya and Ross River virus, while research associated with ISLA-101 has also received support through an Australian Government NHMRC grant of more than $780,000 secured by Dr Johanna Fraser.

With these milestones delivered during the 12-month period, our priorities for FY27 have become clear. We intend to progress the complementary USAMRIID and Texas Biomed Marburg studies and use the resulting data to inform dose selection and the design of the subsequent pivotal efficacy study. We will continue our GMP manufacturing program, support the potential use of Galidesivir under the Ebola MEURI framework and continue engagement with the FDA as the Marburg program advances.

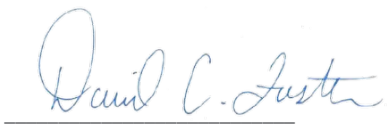
CEO letter to shareholders

Alongside these development activities, we will continue building our engagement with US Government, health-security and biodefence stakeholders as we pursue potential non-dilutive funding, procurement and stockpiling opportunities. ISLA-101 will continue to provide additional portfolio optionality across dengue and other viral diseases.

There is a substantial amount to execute, but we begin FY27 with considerably more clarity around our lead asset, its regulatory pathway and the activities required to advance it.

I would like to thank our employees, Board, advisers and collaborators, particularly the teams supporting our programs at USAMRIID, The Geneva Foundation, Texas Biomed and the Burnet Institute. I would also like to thank our shareholders for their continued support as we have undertaken this transformation.

We look forward to building on the progress achieved during FY26 and continuing to advance Island as a company focused on antiviral medicines with the potential to address significant unmet medical, public health and biosecurity needs.



Dr David Foster
CEO & Managing Director

Directors' Report

30 June 2026

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Island Pharmaceuticals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2026.

Directors

Mr Jason Carroll

B.Sc., MBA

Non-Executive Chairman

Appointed 2 July 2025

Jason brings a wealth of experience as a highly regarded life sciences executive, with an impressive 34-year career in the industry. In addition to his current role as CEO & Executive Director of Entropy Neurodynamics Limited (ASX:ENP), his extensive background includes leadership roles at industry giants Johnson & Johnson, Janssen Pharmaceutica, iNova Pharmaceuticals and Bristol-Myers Squibb.

Jason received his B.Sc. in Organic Chemistry from Flinders University of South Australia and completed his Master of Business Administration in Technology Management from Deakin University. Jason has managed roles of increasing responsibility in operations (Pharmaceutical Production Management), sales & marketing (Specialist Medical Representative, Product Management, Sales & Marketing Management & Business Unit Director) and business development (Early Product Development Lead, Associate Director of Market Access, Associate Director of Asia Regional Business Development and Business Licensing & Acquisition). His first country leadership role was as General Manager of Janssen Pharmaceutica Philippines, followed by Managing Director of One J&J Vietnam (including additional responsibilities as SEA Board representative of Janssen Pharmaceuticals Asia-Pacific and SEA Marketing Director of Immunology & Oncology and Global Board membership of the J&J Sustainability Council).

He has expertise across pharmaceuticals, biologics, medical devices, OTC & consumer medicines and is considered to be a turnaround specialist and an outstanding people leader.

Former ASX-listed directorships (last 3 years): N/A

Mr Christopher Ntoumenopoulos

B. Comm

Non-Executive Director

Appointed 19 November 2024

Chris Ntoumenopoulos is an experienced company director and corporate advisor with more than 20 years of experience in capital markets, corporate finance, and strategic growth. He has extensive expertise in capital raising, corporate advisory, and guiding public and private companies through key stages of growth.

Chris has served as a director of ASX-listed companies for more than 10 years. He was a founding director of ResApp Health Limited (ASX: RAP), which was acquired by Pfizer, and Race Oncology Limited (ASX: RAC). He currently serves as a Non-Executive Director of TrivarX Limited (ASX: TRI) and Entropy Neurodynamics Ltd (ASX: ENP).

Throughout his career, Chris has contributed to the growth and governance of companies across the healthcare, biotechnology, and life sciences sectors, with a strong focus on corporate strategy, capital markets, and shareholder value creation.

Former ASX-listed directorships (last 3 years): Neuroscientific Biopharmaceuticals Limited (ASX: NSB) - resigned on 28/06/2025

Directors' Report

30 June 2026

Dr David Foster

PhD, JD , MAICD

Managing Director

Appointed 1 October 2020

Dr. David Foster is an experienced biotechnology entrepreneur and public company executive with more than 25 years of experience founding, building and leading life sciences organizations.

Throughout his career, he has helped launch multiple biotechnology companies, advancing innovative technologies from early-stage concepts through clinical development and corporate growth.

As Co-founder, CEO and Managing Director of Island Pharmaceuticals, Dr. Foster leads the Company's corporate strategy, business development and advancement of its clinical-stage antiviral programs.

His experience spans company formation, capital raising, strategic partnerships, product development and commercialization planning, with a focus on translating scientific innovation into therapies that address significant unmet medical needs.

Dr. Foster is also a co-founder of BioNTX, a leading life sciences industry association supporting the growth of the biotechnology ecosystem in North Texas, and has served on the boards of numerous biotechnology companies. He holds a Ph.D. in Cell Regulation from The University of Texas Southwestern Medical Center and a J.D. from Golden Gate University School of Law.

Former ASX-listed directorships (last 3 years): N/A

Company secretary

Cameron Jones

Appointed 1 December 2023

Cameron is a finance executive and Chartered Accountant with experience as CFO and Company Secretary of ASX Listed and Venture Capital healthcare companies. Cameron has supported companies through IPOs, capital raising and M&A transactions. Cameron is the Managing Director of Bio101, a financial services firm providing transaction advisory, CFO, accounting, tax and company secretarial services specialising in the healthcare and life science sectors.

Cameron holds a Bachelor of Business from Monash University, majoring in Accounting, a Diploma in Financial Planning from Kaplan Professional, registered tax agent and a Certificate in Governance Practice from the Governance Institute of Australia.

Directors' Report

30 June 2026

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2026, and the number of meetings attended by each director were:

	Board		Nomination and Remuneration Committee	
	Attended	Held[1]	Attended	Held[1]
Dr David Foster	10	10	1	1
Mr Jason Carroll	10	10	1	1
Mr Christopher Ntoumenopoulos	10	10	1	1

[1] Represents the number of meetings held during the time the director held office or was a member of the relevant committee.

On 23 July 2025, the Board resolved to dissolve the Nomination and Remuneration and Audit and Risk Committees.

Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
David Foster	6,504,460	6,000,000
Jason Carroll	32,074,930	6,341,597
Christopher Ntoumenopoulos	2,880,370	5,594,568

Principal activities

Island Pharmaceuticals Limited is a mid-clinical stage biotechnology company listed on the Australian Securities Exchange (ASX: ILA). Island is a drug repurposing company, focused on areas of unmet need for antiviral therapeutics to address infectious diseases.

Dividends

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

Directors' Report

30 June 2026

Operating and financial review

The loss for the Group after providing for income tax amounted to $9,843,987 (30 June 2025: $3,920,139).

Group strategy

Island Pharmaceuticals Limited (ASX: ILA) ("Island" or "the Company") is focused on areas of unmet need for drugs that can address urgent viral diseases, public health and biosecurity threats. The Company is executing a dual development strategy across its two clinical-stage antiviral assets, Galidesivir and ISLA-101.

During FY26, Galidesivir became the principal focus of Island's development activities following completion of its acquisition from BioCryst Pharmaceuticals Inc. (Nasdaq: BCRX). Galidesivir is a broad-spectrum antiviral with activity demonstrated across more than 20 RNA viruses, including high-priority pathogens such as Marburg, Ebola, MERS, Zika and Yellow Fever. The program has benefited from over US$70m in historical funding from the US Government and has an extensive development package comprising human safety data and non-human primate efficacy studies.

Island's near-term strategy for Galidesivir is focused on advancing the asset as a broad-spectrum medical and biodefence countermeasure across Marburg and Ebola. For Marburg Virus Disease, the Company is progressing Galidesivir under the US Food and Drug Administration's (FDA) Animal Rule, with a clearly defined regulatory pathway toward potential approval. In parallel, Island has established a complementary clinical development pathway in Ebola through the World Health Organization-recognised Monitored Emergency Use of Unregistered and Investigational Interventions (MEURI) framework, providing an opportunity to generate prospective human efficacy, safety and virological data during active outbreaks. Together, these initiatives have expanded Galidesivir's development potential while strengthening Island's engagement with US Government, biodefence and infectious disease organisations.

ISLA-101 is Island's second clinical-stage asset and has a well-established safety profile. The asset is being repurposed for the prevention and treatment of dengue fever and other mosquito or vector-borne diseases. The Phase 2a/b PROTECT trial, completed during FY25, demonstrated successful results when ISLA-101 was used in both a prophylactic and treatment setting. Island continued to assess development and indication-expansion opportunities for ISLA-101 during FY26.

Significant milestones achieved during the reporting period

The 12 months to 30 June 2026 represented a significant period of strategic and operational advancement, highlighted by the acquisition and rapid progression of the Galidesivir program.

The Company completed the acquisition of Galidesivir, established a defined regulatory pathway with the FDA for its development in Marburg, secured confirmation of potential Priority Review Voucher (PRV) eligibility, entered into strategic collaborations with leading US biodefence institutions, commenced GMP manufacturing and significantly strengthened its intellectual property portfolio.

Importantly, FDA engagement during the period progressed from initial discussions regarding the potential use of the Animal Rule to clear alignment on the regulatory pathway and animal model required to advance Galidesivir towards approval. The FDA validated key elements of Island's proposed Marburg model and defined a two-stage development sequence comprising dose optimisation and pharmacokinetic studies followed by a pivotal confirmatory efficacy study.

Island also considerably strengthened the operational infrastructure supporting Galidesivir's development. This included agreements with the US Army Medical Research Institute of Infectious Diseases (USAMRIID), The Geneva Foundation for Medical Research and Texas Biomedical Research Institute (Texas BioMed), as well as commencement of GMP manufacturing to support the planned pivotal program and broader biodefence opportunities.

The Company strengthened its financial position during the year through a $9 million strategic placement and approximately $2.1 million received via option exercises from existing significant shareholders during the first half, providing funding to advance its clinical, regulatory and manufacturing programs.

Directors' Report

30 June 2026

Galidesivir

Acquisition of Galidesivir from BioCryst Pharmaceuticals Inc:

In July 2025, Island executed an Asset Purchase Agreement with NASDAQ-listed BioCryst Pharmaceuticals Inc. (BioCryst) for the acquisition of the Galidesivir antiviral program following an extensive period of due diligence. Completion occurred on 31 July 2025.

The acquisition provided Island with 100% ownership of Galidesivir, a clinical-stage broad-spectrum antiviral that had already undergone substantial development, supported by over US$70m in historical US Government funding. The acquisition included completed Phase 1 human studies, manufacturing and regulatory information and extensive preclinical efficacy data.

Galidesivir has demonstrated activity across more than 20 RNA viruses. Island initially prioritised its development for Marburg Virus Disease, a severe haemorrhagic fever for which there are limited medical countermeasures and where conventional human efficacy trials are not feasible.

Previously undertaken non-human primate studies provided an important foundation for this strategy, including studies which showed that Galidesivir-treated animals demonstrated high survival rates following infection with Marburg and Ebola viruses. The existing human safety and animal efficacy datasets also provided the basis for Island to pursue a potentially accelerated development pathway under the FDA's Animal Rule.

FDA engagement and confirmation of Animal Rule pathway:

Following completion of the acquisition, Island commenced direct regulatory engagement with the FDA under one of Galidesivir's existing, open Investigational New Drug application (IND).

In August 2025, Island lodged a Type C meeting request seeking guidance on the proposed development of Galidesivir for Marburg Virus Disease, including the applicability of the FDA's Animal Rule, the design of required non-human primate studies and potential eligibility for a PRV.

The FDA granted the meeting request in September 2025 and the Company subsequently submitted a comprehensive briefing package incorporating Galidesivir's historical clinical, pharmacokinetic, safety and animal efficacy data.

In November 2025, Island received written feedback confirming that the Animal Rule was an appropriate regulatory pathway for Galidesivir as a Marburg countermeasure. The FDA also confirmed that Galidesivir would qualify for a Tropical Disease PRV upon approval under the Animal Rule. Island subsequently submitted clarification questions to further optimise the proposed development program.

Further FDA correspondence received in January 2026 provided clear alignment on the core components of the proposed animal model, including use of the Angola strain of Marburg virus, the cynomolgus macaque model and the proposed viral challenge dose.

Importantly, the FDA defined a two-stage development pathway comprising targeted dose-optimisation and pharmacokinetic studies, followed by engagement with the regulator regarding the design of a pivotal confirmatory efficacy study. This provided the Company with a defined regulatory framework for progressing Galidesivir toward potential FDA approval.

The FDA alignment also reinforced the potential commercial pathway for Galidesivir. Approval under the Animal Rule may provide opportunities for US Government procurement and inclusion in the Strategic National Stockpile, alongside entitlement to a Priority Review Voucher.

USAMRIID and Geneva Foundation collaboration:

During FY26, Island significantly expanded its engagement with US Government-associated biodefence organisations.

In March 2026, the Company entered into a Cooperative Research and Development Agreement (CRADA) with USAMRIID and The Geneva Foundation to support Galidesivir's development under the Animal Rule.

USAMRIID has played an important role in Galidesivir's historical development and has extensive expertise in high-consequence infectious diseases, including Marburg and Ebola. The collaboration provides Island with access to specialised Biosafety Level 4 (BSL-4) infrastructure and scientific expertise required to undertake non-human primate studies involving these pathogens.

In June 2026, Island expanded the CRADA to finalise the design and resourcing requirements for a Galidesivir dose-optimisation study. The study is designed to identify the minimally effective dose against the FDA-preferred Angola strain of Marburg virus and evaluate different dosing regimens and treatment initiation timepoints.

Under the study design, treatment is to commence either 24- or 48-hours following Marburg exposure, with Galidesivir administered intravenously twice daily over 14 days. The resulting pharmacokinetic, efficacy and survival data are expected to inform dose selection and the design of the subsequent pivotal Animal Rule study.

Texas Biomedical Research Institute agreement and relationship expansion:

Island also entered into a Master Services Agreement with Texas Biomedical Research Institute during the year, providing an additional pathway to conduct specialist non-human primate work required for Galidesivir's development.

Texas Biomed is a leading US infectious disease research organisation with BSL-4 capabilities and an integrated National Primate Research Centre. The agreement provided Island with additional operational flexibility and access to specialist infrastructure for Galidesivir studies.

Work with Texas Biomed progressed alongside the USAMRIID program during FY26, providing the Company with multiple potential avenues through which to undertake FDA-directed studies and supporting the broader objective of reducing development and execution risk.

GMP manufacturing program:

In June 2026, Island commenced a new GMP manufacturing campaign for Galidesivir through global contract research, development and manufacturing organisation PI Health Sciences.

The program includes analytical method validation, reference-standard preparation, stability studies and manufacture of GMP-grade Galidesivir to support the planned pivotal Marburg study and other potential clinical and biodefence applications.

The manufacturing campaign represents an important step in establishing the manufacturing, analytical and quality systems required for late-stage development, future regulatory submissions and potential government procurement.

Existing Galidesivir inventory remains available for planned dose-optimisation studies, while product from the new GMP campaign is intended to support the subsequent pivotal efficacy program and provide Island with supply flexibility for emerging outbreak-response and biodefence opportunities.

Orphan Drug Designation:

In June 2026, the FDA granted Orphan Drug Designation to Galidesivir for post-exposure prophylaxis of Marburg Virus Disease.

The designation further strengthened the regulatory and commercial foundations of the Galidesivir program. Potential benefits associated with Orphan Drug Designation include seven years of US market exclusivity following approval for the designated indication, exemption from certain FDA fees and access to regulatory assistance during development.

The designation complemented the FDA's earlier confirmation of the Animal Rule pathway and PRV eligibility and represented another important regulatory milestone as the Company advanced Galidesivir towards its planned dose-optimisation and pivotal efficacy studies.

Intellectual property:

Island strengthened Galidesivir's intellectual property position during FY26 through the grant of additional US patents.

In December 2025, the Company announced a US patent covering the use of Galidesivir in COVID-19, extending protection for that application through July 2042.

In January 2026, Island announced the grant of US Patent No. 12,508,266 covering the use of Galidesivir for the treatment of filoviridae viruses, including Marburg and Ebola. The patent strengthened the Company's intellectual property position around the indications central to its biodefence strategy and supports the longer-term commercial potential of the program.

US Government and biodefence strategy:

Alongside Galidesivir's regulatory development, Island undertook a number of initiatives during FY26 to strengthen its position within the US medical countermeasure and biodefence ecosystem.

The Company appointed Washington DC-based Todd Strategy Group to support engagement across US health security, government and biodefence stakeholders and to assist Island in identifying potential non-dilutive funding opportunities.

Island was also accepted as a member of the Medical Countermeasures Coalition (MC2), an international alliance of organisations involved in the research, development, manufacture and procurement of medical countermeasures. During the year, Island secured representation on MC2 working groups focused on countermeasure research and development, procurement and stockpiling policy.

In May 2026, Island appointed Mark Herzog as Senior Global Health Security Advisor. Mr Herzog has more than 25 years' experience across biodefence, government contracting and medical countermeasure initiatives and has previously supported US Department of Defense programs and government contracting activities.

The Company subsequently appointed former BioCryst Pharmaceuticals executive Raymond Taylor as Senior Scientific Fellow. Mr Taylor brings over 40 years' drug-development experience, including 19 years at BioCryst and direct historical involvement with Galidesivir. His experience includes securing and managing significant US Government biodefence funding and procurement contracts.

Collectively, these initiatives were undertaken to complement Galidesivir's clinical and regulatory development and position Island to pursue future US Government funding, procurement and Strategic National Stockpile opportunities.

ISLA-101

Following completion of the Phase 2a/b PROTECT trial during FY25, Island continued to progress strategic opportunities for ISLA-101 during FY26.

The PROTECT trial evaluated ISLA-101 as both a prophylactic and therapeutic treatment for dengue under a human challenge model at the State University of New York Upstate Medical University (SUNY). Results reported during FY25 demonstrated a material reduction in viral load and symptoms in subjects receiving ISLA-101 prophylactically and evidence of drug activity in the treatment cohort.

During FY26, Island continued to assess the broader development and commercial pathway for ISLA-101 while also exploring opportunities to expand the potential application of the asset across additional viral indications.

Burnet Institute collaboration:

In March 2026, Island commenced a strategic research collaboration with the Burnet Institute to evaluate additional applications for both ISLA-101 and Galidesivir.

The collaboration is evaluating the antiviral activity of Island's existing assets against additional viral threats including measles, chikungunya and Ross River virus. These indications were selected following review of historical data and their relevance to public-health, biodefence and strategic stockpile priorities.

The program is designed to leverage Island's existing clinical and preclinical datasets to broaden the potential utility of its assets without requiring the acquisition of additional molecules or material capital investment.

Work is being led by Dr Johanna Fraser, Head of the Burnet Institute's Arbovirology Working Group and a co-lead inventor of ISLA-101. During the period, Dr Fraser also secured an Australian Government National Health and Medical Research Council grant of more than $780,000 to support research associated with ISLA-101, providing further potential to expand the scientific evidence supporting the asset.

Corporate and financial developments:

Island materially strengthened its financial position during FY26 to support the accelerated development of Galidesivir and its broader antiviral portfolio.

During the first half, the Company received over $1.1m from option exercises by major shareholders, followed by ~$1.0m from the exercise of additional options by Directors and substantial shareholders in December 2025.

In February 2026, Island secured firm commitments for a $9m strategic placement through the issue of approximately 25.7m new fully paid ordinary shares at $0.35 per share. The placement was cornerstoned by a US-based family office and supported by local and international institutional, sophisticated and professional investors.

The funds were raised to support Galidesivir through its two-stage Animal Rule development pathway and planned New Drug Application, as well as manufacturing activities and regulatory and preclinical work targeting additional biodefence and stockpile opportunities.

The strengthened balance sheet provides Island with the financial capacity to progress its planned Galidesivir clinical, regulatory and manufacturing activities while maintaining flexibility to pursue additional opportunities across its antiviral portfolio.

The Company held cash at bank of ~$12.87m at 30 June 2026.

Events subsequent to the reporting period:

Post reporting period, Island continued to advance both Galidesivir and ISLA-101.

On 2 July 2026, the Company announced the grant of a Singapore patent covering the use of ISLA-101 against flavivirus infections, further expanding the asset's intellectual property position in an important Asia-Pacific market.

On 7 July 2026, Island announced that all required government, regulatory and ethics approvals had been obtained to enable compassionate use of Galidesivir in patients during the Bundibugyo Ebola outbreak in Uganda under the World Health Organization-recognised Monitored Emergency Use of Unregistered and Investigational Interventions (MEURI) framework.

The program provides Island with an opportunity to prospectively collect human clinical, safety and virological data during an active Ebola outbreak while providing Galidesivir to eligible patients where there are no approved therapeutic options. The initiative is sponsored by the Uganda Ministry of Health and supported by local and international infectious disease organisations, with Island's contribution principally comprising supply of Galidesivir.

The opportunity establishes a complementary development pathway alongside the Company's existing Marburg Animal Rule program, allowing Galidesivir to potentially generate prospective human Ebola data while controlled non-human primate studies continue to support the US regulatory pathway for Marburg.

On 13 July 2026, Island executed a Statement of Work with Texas Biomed to undertake a complementary FDA-directed dose-optimisation study involving 12 non-human primates infected with the Angola strain of Marburg. The study is designed to assess Galidesivir when treatment commences around the onset of clinical signs of infection and complement the earlier-treatment study being undertaken with USAMRIID.

Together, the USAMRIID and Texas Biomed programs are expected to generate data from 32 non-human primates, providing a broader dataset to inform dose selection, pivotal study design and subsequent engagement with the FDA.

These developments further advance Island's strategy of positioning Galidesivir as a broad-spectrum medical and biodefence countermeasure, while maintaining the development and commercial optionality of ISLA-101 across dengue and other viral diseases.

Outlook:

In FY27, Island's principal focus is advancing Galidesivir as a broad-spectrum medical and biodefence countermeasure. For Marburg Virus Disease, the Company intends to progress the FDA-aligned Animal Rule pathway through complementary dose-optimisation studies with USAMRIID and Texas BioMed. Data from these studies is expected to inform dose selection, the design of the subsequent pivotal efficacy study and further engagement with the FDA prior to potential approval.

In parallel, Island will support the potential use of Galidesivir during the Bundibugyo Ebola outbreak in Uganda under the World Health Organization-recognised MEURI framework. This pathway provides an opportunity to collect prospective human safety, clinical and virological data while complementing the controlled non-human primate studies supporting the Marburg program.

Concurrently, the Company will also continue its GMP manufacturing campaign to establish the product supply, analytical methods and quality systems required for the planned pivotal program, future regulatory submissions and potential outbreak-response and government procurement opportunities. Island will maintain its engagement with US Government, health-security and biodefence stakeholders, including the pursuit of potential non-dilutive funding, procurement and Strategic National Stockpile opportunities.

ISLA-101 provides additional portfolio optionality across dengue and other viral diseases, supported by the completed PROTECT trial and ongoing indication-expansion research. With cash at bank of ~$12.87m at 30 June 2026, Island is funded to progress its planned clinical, regulatory and manufacturing activities while retaining flexibility across its antiviral portfolio.

Key Risks and Uncertainties

The current and future performance of the Company may be affected by changing circumstances, uncertainties, and risks specific to the Company and the Company's business activities, as well as general risks.

(a) Sufficiency of funding
The Company has limited financial resources and will need to raise additional funds from time to time to finance the continued research, development and commercialisation of its technology / products and its other longer-term objectives. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. If for any reason the Company was unable to raise future funds, its ability to achieve its milestones or continue future development / commercialisation of its technology / product would be significantly affected.

(b) Healthcare insurers and reimbursement
In both domestic and foreign markets, sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans. There is considerable public policy and government pressure to reduce the cost of therapeutic products, particularly biologics, and government and other third party payers are increasingly attempting to contain health care costs by limiting both coverage and the level of

reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the United States Food and Drug Administration (FDA) has not granted marketing approval.

No assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed on a profitable basis.

c) Product liability
The process of securing marketing approval of a new product is both costly and time consuming. The conduct of clinical trials will expose the Company to product liability risks and future sales of its product may, and if the Company decides to develop a product candidate and take it to market directly will, expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

The Company intends to obtain and maintain adequate levels of insurance to cover product liability risks. Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(d) Commercialisation risk
The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to discover, validate and commercialise therapeutic products or product candidates. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

(e) Clinical trials - regulatory requirements
Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory and legal requirements. In addition, trial design can change which may have adverse impact on cost and time of the Company's proposed clinical trials. Clinical trials of the Company's products will likely take several years to complete. There is a risk that the FDA may not approve the Company's proposed new drug application filed with the FDA under section 505 of US Federal Food, Drug and Cosmetic Act (NDA) application and this would require the Company to undertake more trials and cause a delay in the Company's development program. Clinical development of the Company's products may fail for a number of other reasons, including lack of efficacy or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials. The Company and/or the relevant regulatory authorities, human research ethics committees and institutions where the clinical trials are conducted, may suspend the Company's clinical trials at any time if it appears that the trials are exposing the trial participants and or the staff involved in conducting the clinical trial to unacceptable health risks.

Alternatively there is the risk that despite conducting the relevant clinical trial in compliance with regulatory requirements, the results of the trial do not support any further development or result in a rejection by the relevant regulator. As a result the Company may fail to commercialise or out-license any products.

Any changes to the laws and regulations in relation to the regulatory approval and sale of therapeutic goods (including the laws and regulations of the FDA), could also adversely affect the Company's clinical trials, NDA and commercialisation.

During the year, the Company advanced its Galidesivir antiviral program and received feedback from the U.S. Food and Drug Administration (FDA) confirming that the Animal Rule is an appropriate regulatory pathway for the development of Marburg countermeasures. The FDA also advised that Galidesivir would qualify for a Tropical Disease Priority Review Voucher upon approval. Notwithstanding this positive regulatory feedback, the Galidesivir program remains subject to significant development, regulatory and commercialisation risks. The Company is required to complete additional development activities, including further animal studies and regulatory interactions, and there can be no assurance that future study results will be successful, that the FDA will ultimately approve Galidesivir, or that approval will be obtained within anticipated timeframes.

Any requirement for additional studies, changes to study design, adverse findings, delays in regulatory review or inability to secure adequate funding could increase development costs, delay commercialisation or prevent approval from being achieved. Further, while the FDA has advised that Galidesivir would be eligible for a Tropical Disease Priority Review Voucher upon approval, there can be no assurance that approval will be obtained, that a voucher will ultimately be awarded, or that any such voucher will realise anticipated value.

f) Dependence on service providers and third-party collaborators
As with all new therapeutic products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.

(g) Reliance on key personnel
The Company's research and development and its operations success will substantially depend on the continued employment of senior executives, technical staff and other key personnel. The loss of key personnel is likely to have an adverse effect on the Company's operation and performance.

(h) Intellectual property
There is no guarantee that the Company's intellectual property comprises all of the rights that the Company may require to freely commercialise its product candidates. The Company's existing intellectual property include its licensing rights under a licensing agreement between Isla Pharmaceuticals Inc. (a company incorporated in the United States and a wholly owned subsidiary of the Company) and Monash University and its knowhow in drug re-positioning/clinical trials.

Patent applications are commonly drafted with a very broad ambit scope of claims - as different claim scopes are often allowed in different jurisdictions. This approach is important initially so as not to unduly limit the potential coverage of the relevant patent application. An initial rejection by a patent examiner of such broad ambit claims is also commonly received and then the applicant in conjunction with discussions with the patent examiner narrows the claims for that particular jurisdiction to achieve allowance of the more narrow claims and subsequent patent grant. No assurance is given that the Company's patent applications will result in granted patents.

Furthermore even though some of the Company's patent applications have already been successful (resulting in granted patents) investors should note that a competitor may at any time challenge granted patents and a court may find that although a patent has been granted it is invalid or unenforceable or revoked. It is possible a court may find that the Company's entitlement is subsequently revealed not to have existed, may not have any exclusive patent rights or any patent rights at all and may be prevented from developing and/or commercialising its products. If the Company's intellectual property rights are ever challenged it may also not have the funds to oppose the challenge.

i) Competition risk
The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to discover, validate and commercialise therapeutic products or product candidates. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability. In addition, there are other companies developing our lead product candidate molecule for other indications.

If these other companies gain FDA approval for The Company's lead product candidate before The Company's approval, this will prevent the Company from obtaining a Priority Review Voucher for its lead product candidate.

(j) Currency risk
Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Company carries on part of its business outside of Australia and intends to continue to do so. Accordingly, revenues and payments will be made in those countries' currencies and may deviate from budgeted expectations if there are adverse currency fluctuations against the Australian dollar.

(k) Requirement to raise additional funding
The Company may be required to raise additional funds in the future. There is no guarantee that the Company will be able to raise such additional capital when it is required, or on terms satisfactory to the Company. If the Company is unsuccessful in obtaining funding when required, this may have a material adverse effect on the Company's business and financial condition and performance and the Company may need to delay, scale down or cease its operations. Further, any additional capital raised may dilute Shareholders' interests in the Company.

(l) Insurance
The Company insures its business and operations. However, the Company's insurance may not be of a nature or level to provide adequate insurance cover to insure against the occurrence of all events that may impact on the operations of the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial conditions and results of the Company.

Summary of operating results

The statement of profit or loss and other comprehensive income shows a loss of $9,843,987 (2025: $3,920,139) for the period. As at 30 June 2026 the Group had a cash position of $12,871,155 (2025: $7,251,918). The Group has no bank debt. Operating activities incurred a net cash outflow for the period of $4,833,969.

- Research and development costs of $2,863,826 (2025: $1,404,831)
- Share based payment expense of $5,053,325 (2025: $336,547)
- Corporate and administration expenses of $1,067,713 (2025: $1,440,590)
- Professional services expenses of $1,152,307 (2025: $533,679)
- Employee benefit expense of $375,000 (2025: $358,285)

Financial liquidity and capital resources

Island ended the financial year with cash of $12.9m (2025: $7.3m) and 295,916,682 shares on issue (2025: 236,093,034).

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the financial year.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Likely developments and expected results of operations

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Information on future developments, prospects and business strategies have only been referred to in the Chairman's letter and CEO report. For further information on the Company's business strategies and material risks, refer also to the Prospectus which is available on the Company website or ASX Announcements.

Directors' Report

30 June 2026

Shares under option

During the financial year, the following options were granted:

No. of Options	Grant date	Issue date	Expiry date	Exercise price	Vesting date
200,000	20/08/2025	23/07/2025	20/08/2028	$0.15	50% on 20/08/2026 50% on 20/08/2027
200,000	15/08/2025	23/07/2025	15/08/2028	$0.15	50% on 15/08/2026 50% on 15/08/2027
200,000	19/08/2025	23/07/2025	19/08/2028	$0.15	50% on 19/08/2026 50% on 19/08/2027
2,000,000	31/10/2025	12/11/2025	31/10/2028	$0.30	50% on 15/10/2026 50% on 15/10/2027
2,000,000	28/10/2025	12/11/2025	28/10/2028	$0.30	50% on 15/10/2026 50% on 15/10/2027
2,000,000	28/10/2025	12/11/2025	28/10/2028	$0.30	50% on 15/10/2026 50% on 15/10/2027
750,000	09/10/2025	12/11/2025	24/04/2028	$0.16	50% on 24/04/2026 50% on 24/04/2027
3,000,000	28/10/2025	12/11/2025	27/10/2028	$0.15	50% on 28/10/2026 50% on 28/10/2027
750,000	28/10/2025	12/11/2025	28/10/2028	$0.15	28/10/2025
8,000,000	12/11/2025	12/11/2025	12/11/2028	$0.25	50% on 12/11/2026 50% on 12/11/2027
4,000,000	06/03/2026	16/04/2026	06/03/2029	$0.60	06/03/2026
500,000	20/05/2026	04/06/2026	20/05/2031	$0.45	[1]
500,000	19/05/2026	04/06/2026	19/05/2031	$0.45	[2]

[1] 20% if a pivotal Marburg NHP study is initiated within 12 months of execution of the consulting agreement, 20% upon initiation of an Ebola NHP pivotal study, 20% upon initiation of a Sudan NHP study, 20% upon approval for Company by the FDA of any formulation of Galidesivir, if consultant is engaged by Company at the time of approval and 20% upon receipt by Company of a contract to sell Galidesivir in the Strategic National Stockpile.

[2] 20% if a Phase 2 clinical trial using an oral or IV formulation of ISLA-101 is initiated within 1 year of execution of consulting agreement, 20% upon the one-year anniversary of consulting agreement, 20% upon the two-year anniversary of consulting agreement and 40% upon approval or authorisation for Company by the FDA of any formulation of ISLA-101 (subject to material contribution).

Directors' Report

30 June 2026

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

No. of options	Expiry date	Exercise price	Grantee
1,895,834	21/03/2027	$0.12	Broker options
19,428,969	04/12/2026	$0.07	October 2024 Placement Options
4,000,000	10/12/2027	$0.15	David Foster
2,000,000	10/12/2027	$0.10	Christopher Ntoumenopoulos
200,000	20/08/2028	$0.15	Consultant options
200,000	15/08/2028	$0.15	Consultant options
200,000	19/08/2028	$0.15	Consultant options
2,000,000	31/10/2028	$0.30	David Foster
2,000,000	28/10/2028	$0.30	Christopher Ntoumenopoulos
2,000,000	28/10/2028	$0.30	Jason Carroll
750,000	24/04/2028	$0.16	Christopher Ntoumenopoulos
3,000,000	27/10/2028	$0.15	Jason Carroll
750,000	28/10/2028	$0.15	Advisor options
8,000,000	12/11/2028	$0.25	Broker options
500,000	19/05/2031	$0.45	Consultant options
500,000	20/05/2031	$0.45	Consultant options
500,000	06/07/2029	$0.60	Consultant options
4,000,000	06/03/2029	$0.60	Broker options

There were 230,000 options that expired during the year exercisable at $0.21.

Shares issued on the exercise of options

During the period 33,442,697 options were exercised resulting in $2,588,072 raised ($241,500 from exercise of 1,150,000 options at $0.21 per share, $206,600 from exercise of 1,721,666 options at $0.12 and $2,139,972 from exercise of 30,571,031 options at $0.07).

Auditor's independence declaration

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

Indemnity and insurance of officers

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

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

Proceedings on behalf of the company

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

Directors' Report

30 June 2026

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 16 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 16 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Matters subsequent to the end of the financial year

On 3 July 2026, 500,000 unlisted options exercisable at $0.60 expiring 3 years from grant date, were granted to a consultant, with 50% vesting after 1 year and the remaining 50% vesting after 2 years.

No other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Remuneration report (audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Island Pharmaceutical's key management personnel for the financial year ended 30 June 2026 in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- relationship between the remuneration policy and Company performance
- details of remuneration
- key management personnel equity holdings

Directors' Report

30 June 2026

Key management personnel

The prescribed details for each person covered by this report are detailed below under the following headings:

The directors and other key management personnel of the Group during the financial year were:

Non-Executive Directors	Position	Appointed
Christopher Ntoumenopoulos	Non-Executive Director	19 September 2024
Jason Carroll	Non-Executive Chairman	2 July 2025

Executive Directors	Position	Appointed
David Foster	Executive Director	1 October 2020
Phillip Lynch[1]	Executive Chair	19 November 2024 [2]

[1] Resigned 2 July 2025

Remuneration policy and relationship with company performance

The Board establishes, amends, reviews and approves the compensation and equity incentive plans with respect to senior management and employees of the Company, including determining individual elements of total compensation of the Executive Director and other members of senior management. The Board is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation. It recommends the Director nominees for each annual general meeting and ensures that the Audit & Risk Committee has the benefit of qualified and experienced directors.

During the period, the Board did not engage remuneration consultants in the process of reviewing Executive KMP and Non-executive Director remuneration.

Long Term Incentive (LTI)

From time to time Board approval may be sought for the issue of securities (performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such performance rights are issued under the Island Pharmaceuticals Limited Employee Incentive Plan.

Directors' Report

30 June 2026

Director compensation

Service contracts with key management personnel:

Position	Annual salary (inclusive of superannuation)
Non-Executive Chairman	$100,000
Executive Director & CEO	$312,500
Non-Executive Director	$72,000

Executive Director & CEO remuneration

David Foster is employed in the position of CEO and Managing Director of the Company on the following material terms:

(1) The Board approved the Remuneration and Nominations committee recommendation to increase David's salary to $312,500 effective 1 July 2025 (salary from 1 July 2024 was $297,554). On 27 February 2025, the Board agreed to reimburse health insurance coverage of approximately US$1,600 per month.

(2) A short-term cash incentive of up to 20% and a short-term stretch target cash incentive of up to 10% of the annual salary subject to achieving key performance objectives as set by the Board from time to time.

(3) Long Term Incentives (LTI) will be made available through the Company's Share Option Plan. The terms will be at the sole discretion of the Board and determined by the Board after the first six months and thereafter on the anniversary of David's commencement.

(4) Effective 13 April 2021 either party is entitled to terminate the employment contract by giving 12 weeks' notice.

(5) Entitled to annual leave, personal/carer's leave, long service leave and other leave in accordance with relevant legislation, as it applies from time to time.

Non-Executive Directors (NEDs) remuneration

The Constitution and the ASX Listing Rules specify that the aggregate compensation of NEDs shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the directors as agreed by the Board. An amount of $500,000 was approved by the Company's shareholders in October 2020 for services as non-exeuctive directors. Additional fees for alternative services are excluded from this amount. The Board does not intend to seek any increase for the NEDs maximum aggregate fee pool at the 2026 AGM.

The board seeks to set NEDs fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The fee structure will be reviewed annually against fees paid to NEDs of comparable companies in similar industries.

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits.

Chris Ntoumenopoulos is remunerated $6,000 per month for his role as Non-Executive Director and Chair of the Audit and Risk Committee. In April 2025, the company entered into a separate consulting agreement to pay an additional $6,000 per month for consulting services, in addition to the existing Non-Executive Director fee.

Directors' Report

30 June 2026

Details of remuneration

Amounts of remuneration

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2026	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled options[4] $**	**Total $**
Non-Executive Directors:							
Christopher Ntoumenopoulos[1]	144,000	-	-	-	-	577,041	721,041
Jason Carroll	89,286	-	-	10,714	-	728,394	828,394
Executive Directors:							
David Foster[2]	342,529	62,500	4,130	-	-	522,950	932,109
Philip Lynch[3]	-	-	-	-	-	-	-
	575,815	**62,500**	**4,130**	**10,714**	-	**1,828,385**	**2,481,544**

[1] Chris received $72,000 in Non-Executive Director fees and $72,000 for consulting services.
[2] David was remunerated $312,500 in his role as Managing Director. David was also reimbursed $30,028 for health insurance coverage. As part of the Employment Agreement and in line with achieving key performance objectives as set by the Board, a potential bonus of up to $62,500 was eligible to be paid (20% of annual salary). Based off an assessment of these key performance objectives, a bonus of $62,500 was eligible to be paid during the year (100% of total eligible bonus).
[3] Resigned 2 July 2025
[4] The value included in the share-based payment options column is calculated using sophisticated financial models. The expense is apportioned from the grant date to the date the options vest. This amount does not represent a cash benefit to the key management personnel.

Directors' Report

30 June 2026

	Short-term benefits			Post-emplomentbenefits	Long-term benefits	Share-based payments	
2025	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled options $	Total $
Non-Executive Directors:							
Anna Lavelle[1]	17,780	-	-	-	-	-	17,780
David Brookes[2]	9,965	-	-	1,146	-	-	11,111
Albert Hansen[3]	25,766	-	-	-	-	-	25,766
Christopher Ntoumenopoulos[4]	70,250	24,000	-	-	-	128,749	222,999
Executive Directors:							
Paul MacLeman[5]	77,654	-	-	5,955	-	-	83,609
David Foster[6]	311,074	57,130	1,598	-	-	214,098	583,900
Philip Lynch[7]	83,280	-	-	9,577	-	-	92,857
	595,769	**81,130**	**1,598**	**16,678**	-	**342,847**	**1,038,022**

[1] Resigned 19 November 2024
[2] Resigned 19 September 2024
[3] Resigned 28 January 2025
[4] Chris was appointed as Director on 19 September 2024 and received $56,250 in Non-Executive Director fees and $14,000 for consulting services. Additionally a bonus of $24,000 was approved by the Board and paid during the period.
[5] Resigned 19 November 2024
[6] David was remunerated $297,554 in his role as Managing Director. Additionally, $3,600 was approved by the Board. David was also remunerated $9,920 for health insurance coverage. As part of the Employment Agreement and in line with achieving key performance objectives as set by the Board, a potential bonus of up to $59,511 was eligible to be paid (20% of annual salary). Based off an assessment of these key performance objectives, a bonus of $57,130 was eligible to be paid during the year (96% of total eligible bonus, with the remaining 4% forfeited).
[7] Appointed 19 November 2024, resigned 2 July 2025.

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2026	2025	2026	2025	2026	2025
Non-Executive Directors:						
Christopher Ntoumenopoulos	20%	32%	-	11%	80%	57%
Jason Carroll	12%	-	-	-	88%	-
Executive Directors:						
David Foster	37%	53%	7%	10%	56%	37%

Directors' Report

30 June 2026

Key management personnel equity holdings

Shareholding

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

	Balance at the start of the year	Balance upon ap-pointment	Additions	Disposals / other	Balance at the end of the year
Ordinary shares - 2026					
David Foster[1]	6,344,460	-	160,000	-	6,504,460
Christopher Ntoumenopoulos[2]	1,689,136	-	1,191,234	-	2,880,370
Phillip Lynch[3]	340,000	-	-	(340,000)	-
Jason Carroll[4]	-	30,975,750	1,099,180	-	32,074,930
	8,373,596	**30,975,750**	**2,450,414**	**(340,000)**	**41,459,760**

[1] Issue of 160,000 shares approved at AGM held on 9 October 2025 for participation in Placement.
[2] Issue of 346,666 shares approved at AGM held on 9 October 2025 for participation in Placement and exercise of 844,568 unlisted options.
[3] Balance on resignation on 2 July 2025.
[4] Exercise of 974,930 unlisted options and on market purchase of 124,250 shares on 24 July 2025.

	Balance at the start of the year	Balance upon appointment	Additions	Disposals / other	Balance at the end of the year
Ordinary shares - 2025					
Anna Lavelle[1]	140,000	-	-	(140,000)	-
David Brookes[1]	140,000	-	-	(140,000)	-
Albert Hansen[1]	11,104,034	-	-	(11,104,034)	-
Paul MacLeman[1]	118,626	-	-	(118,626)	-
David Foster[2]	5,823,872	-	520,588	-	6,344,460
Christopher Ntoumenopoulos[3]	-	-	1,689,136	-	1,689,136
Phillip Lynch[2]	-	260,000	80,000	-	340,000
	17,326,532	**260,000**	**2,289,724**	**(11,502,660)**	**8,373,596**

[1] Balance of shareholding on resignation.
[2] Exercise of Listed Options (ILAO).
[3] Issue of shares approved at AGM held on 19 November 2024.

Directors' Report

30 June 2026

	Balance at the start of the year	Balance upon appoint-ment	Granted as part of remuner-ation	Additions	Exercised	Balance on resig-nation	Balance at the end of the year
Options over ordinary shares - 2026							
David Foster	4,000,000	-	2,000,000	-	-	-	6,000,000
Christopher Ntoumenopoulos	3,689,136	-	2,750,000	-	(844,568)	-	5,594,568
Jason Carroll	-	2,316,527	5,000,000	-	(974,930)	-	6,341,597
Phillip Lynch[1]	3,000,000	-	-	-	-	(3,000,000)	-
	10,689,136	**2,316,527**	**9,750,000**	**-**	**(1,819,498)**	**(3,000,000)**	**17,936,165**

[1] Resigned 2 July 2025.

	Balance at the start of the year	Balance upon appoint-ment	Granted as part of remuner-ation	Additions[1]	Exercised	Balance on resig-nation	Balance at the end of the year
Options over ordinary shares - 2025							
Anna Lavelle	40,000	-	-	-	-	(40,000)	-
David Brookes	40,000	-	-	-	-	(40,000)	-
Albert Hansen	166,667	-	-	-	-	(166,667)	-
Paul MacLeman	33,572	-	-	-	-	(33,572)	-
David Foster	520,588	-	4,000,000	-	(520,588)	-	4,000,000
Christopher Ntoumenopoulos	-	-	2,000,000	1,689,136	-	-	3,689,136
Phillip Lynch	-	80,000	3,000,000	-	(80,000)	-	3,000,000
	800,827	**80,000**	**9,000,000**	**1,689,136**	**(600,588)**	**(280,239)**	**10,689,136**

[1] Options received in participation in Placement as announced in October 2024 and approved by shareholders at the 2024 AGM.

Directors' Report

30 June 2026

Additional information

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

	2026 $	2025 $	2024 $
Loss after income tax	(9,843,987)	(3,920,139)	(2,830,449)

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

	2026	2025	2024
Share price at financial year end ($)	0.38	0.14	0.08
Total dividends declared (cents per share)	-	-	-
Basic loss per share (cents per share)	3.64	2.26	3.17
Diluted loss per share (cents per share)	3.64	2.26	3.17

This concludes the remuneration report, which has been audited.

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

On behalf of the directors

Jason Carroll
Non-Executive Chairman

26 August 2026
Melbourne

William Buck
ACCOUNTANTS & ADVISORS

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Island Pharmaceuticals Limited

As lead auditor for the audit of the financial report of Island Pharmaceuticals Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Melbourne, 26 August 2026

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2026

	Note	2026 $	2025 $
Other income			
Interest Income		276,423	58,801
Research and development tax incentive	5	282,657	108,910
Grant income		-	10,000
Total other income		**559,080**	**177,711**
Expenses			
Employee benefits expense		(375,000)	(358,285)
Share based payment expense	6	(5,053,325)	(336,547)
Research and development costs		(2,863,826)	(1,404,831)
Professional services expenses		(1,152,307)	(533,679)
Corporate and administration expenses		(1,067,713)	(1,440,590)
Depreciation and amortisation expense		(105,289)	-
Finance costs		-	(27,307)
Effect of changes in foreign exchange rates		214,393	3,389
Total expenses		**(10,403,067)**	**(4,097,850)**
Loss before income tax expense		(9,843,987)	(3,920,139)
Income tax expense		-	**-**
Loss after income tax expense for the year attributable to the owners of Island Pharmaceuticals Limited		(9,843,987)	(3,920,139)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(70)	(711)
Other comprehensive income for the year, net of tax		(70)	(711)
Total comprehensive income for the year attributable to the owners of Island Pharmaceuticals Limited		**(9,844,057)**	**(3,920,850)**
			Cents
Basic earnings per share	7	(3.64)	(2.26)
Diluted earnings per share	7	(3.64)	(2.26)

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

Consolidated statement of financial position

As at 30 June 2026

	Note	2026 $	2025 $
Assets			
Current assets			
Cash and cash equivalents		12,871,155	7,251,918
Trade and other receivables	8	285,579	179,608
Prepayments		103,399	61,500
Total current assets		**13,260,133**	**7,493,026**
Non-current assets			
Intangibles	9	736,414	-
Total non-current assets		**736,414**	**-**
Total assets		**13,996,547**	**7,493,026**
Liabilities			
Current liabilities			
Trade and other payables	10	510,355	312,387
Employee benefits		28,168	24,038
Total current liabilities		**538,523**	**336,425**
Total liabilities		**538,523**	**336,425**
Net assets		**13,458,024**	**7,156,601**
Equity			
Issued capital	11	42,913,077	31,630,102
Reserves		5,443,206	611,374
Accumulated losses		(34,898,259)	(25,084,875)
Total equity		**13,458,024**	**7,156,601**

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

Consolidated statement of changes in equity

For the year ended 30 June 2026

	Issued capital $	Foreign ex-change reserve $	Share-based payment reserve $	Accum-ulated losses $	Total equity $
Balance at 1 July 2024	22,393,812	1,454	323,637	(21,200,056)	1,518,847
Loss after income tax expense for the year	-	-	-	(3,920,139)	(3,920,139)
Other comprehensive income for the year, net of tax	-	(711)	-	-	(711)
Total comprehensive income for the year	-	(711)	-	(3,920,139)	(3,920,850)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	7,000,000	-	-	-	7,000,000
Issue of ordinary shares upon exercise of options	2,047,485	-	-	-	2,047,485
Share issue transaction costs	(246,728)	-	-	-	(246,728)
Transfer of fair value of exercised options	20,533	-	(20,533)	-	-
Expiry of share options	-	-	(35,320)	35,320	-
Vesting charge for share-based payments	-	-	342,847	-	342,847
Issue of Ordinary Shares in lieu of payment for services	415,000	-	-	-	415,000
Balance at 30 June 2025	**31,630,102**	**743**	**610,631**	**(25,084,875)**	**7,156,601**

	Issued capital $	Foreign ex-change reserve $	Share-based payment reserve $	Accum ulated losses $	Total equity $
Balance at 1 July 2025	31,630,102	743	610,631	(25,084,875)	7,156,601
Loss after income tax expense for the year	-	-	-	(9,843,987)	(9,843,987)
Other comprehensive income for the year, net of tax	-	(70)	-	-	(70)
Total comprehensive income for the year	-	(70)	-	(9,843,987)	(9,844,057)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	9,100,000	-	-	-	9,100,000
Issue of ordinary shares upon exercise of options	2,588,072	-	-	-	2,588,072
Share issue transaction costs	(598,168)	-	-	-	(598,168)
Transfer of fair value of exercised options	193,071	-	(193,071)	-	-
Expiry of share options	-	-	(30,603)	30,603	-
Vesting charge for share-based payments	-	-	5,055,576	-	5,055,576
Balance at 30 June 2026	**42,913,077**	**673**	**5,442,533**	**(34,898,259)**	**13,458,024**

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

Consolidated statement of cash flows

For the year ended 30 June 2026

	Note	2026 $	2025 $
Cash flows from operating activities			
Interest received		276,423	58,801
Payments to suppliers and employees (inclusive of GST)		(5,253,508)	(3,702,396)
Research and development tax incentive received		143,116	865,230
Other government grants		-	10,000
Net cash used in operating activities	12	(4,833,969)	(2,768,365)
Cash flows from investing activities			
Payments for intangibles	9	(841,703)	-
Net cash used in investing activities		(841,703)	-
Cash flows from financing activities			
Proceeds from issue of shares	11	9,100,000	7,000,000
Share issue transaction costs		(584,234)	(246,728)
Proceeds from issue of shares upon exercise of options		2,588,093	2,047,485
Proceeds from issue of options		2,250	6,300
Repayment of borrowings (R&D loan)		-	(449,275)
Net cash from financing activities		11,106,109	8,357,782
Net increase in cash and cash equivalents		5,430,437	5,589,417
Cash and cash equivalents at the beginning of the financial year		7,251,918	1,660,377
Effects of exchange rate changes on cash and cash equivalents		188,800	2,124
Cash and cash equivalents at the end of the financial year		**12,871,155**	**7,251,918**

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

Notes to the financial statements

30 June 2026

Note 1. General information

The financial statements cover Island Pharmaceuticals Limited as a Group consisting of Island Pharmaceuticals Limited and the entities it controlled at the end of, or during, the year ("the Group"). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency and are rounded to the nearest dollar unless otherwise stated.

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

c/- Bio101 Financial Advisory Pty Ltd
Level 1 - Suite 1
117 Camberwell Road
Hawthorn East, VIC 3123

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2026. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, there was no impact on the amounts recognised in current or prior period and no expected significant changes in future periods.

New Accounting Standards and Interpretations not yet mandatory or early adopted

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

AASB 18 Presentation and Disclosure in Financial Statements

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

Note 2. Material accounting policy information (continued)

Basis of preparation

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 14.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Island Pharmaceuticals Limited ('company' or 'parent entity') as at 30 June 2026 and the results of all subsidiaries for the year then ended. Island Pharmaceuticals Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Note 2. Material accounting policy information (continued)

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The fair value of each patent contained within the intangible asset was based on management estimate and amortisation is recognised over the remaining life of the patents. Any contingent payments resulting from clauses associated with intangible assets are to be expensed when and if they occur.

Income recognition

The Group recognises income as follows:

Interest

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

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Government research and development tax incentives

In the financial year ending 30 June 2026, the Group has accounted for the prior year Research and Development Tax Incentive received and current year accrued.

Research and development expenditure

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Share-based payments

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

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

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

Note 2. Material accounting policy information (continued)

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 3. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

Note 3. Critical accounting judgements, estimates and assumptions (continued)

For awards subject to non-market vesting conditions, such as service conditions or performance targets, management is required to exercise judgement in estimating the number of equity instruments that are expected to vest. At each reporting date, the Group reviews its estimates of the likelihood of employees meeting the relevant service or performance conditions and adjusts the cumulative expense recognised accordingly. This requires management to consider factors such as historical employee attrition, anticipated turnover, and achievement of performance hurdles. Where employees cease employment or where it becomes apparent that the vesting conditions will not be satisfied, previously recognised expenses are reversed in the period in which the change in estimate occurs.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets was recognised during the year.

Research and Development Tax Incentive credits

Government grants, including research and development incentives are recognised at fair value when there is reasonable assurance that the grant will be received and all grant conditions will be met.

With the successful track record of the Group in obtaining the Research and Development rebate from the ATO, an estimated rebate of $248,451 has been accrued as income for the full-year ended 30 June 2026 (30 June 2025: $108,910).

The Group is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

Assessment of Research and Development expenditure not advancing to a stage of technical feasibility

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Note 4. Operating segments

During the year the Group continued to operate a single segment, being research and development activities principally in the geographic regions of Australia and the United States of America.

Notes to the financial statements

30 June 2026

Note 5. Research and Development Tax Incentive

	2026 $	2025 $
Research and Development Tax Incentive	282,657	108,910

In FY2026, the Group received a research and development tax incentive refund greater than the amount accrued by $34,206 for the period ending 30 June 2025. The estimated FY2026 research and development tax incentive refund is $248,451.

Note 6. Share based payments

Set out below are summaries of options granted that are deemed share based payments:

30 June 2026

Grant date	Issue date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Other[1]	Balance at the end of the year
28/04/2022	28/04/2022	28/04/2026	$0.2100	1,380,000	-	(1,150,000)	(230,000)	-	-
21/03/2024	21/03/2024	21/03/2027	$0.1200	3,617,500	-	(1,721,666)	-	-	1,895,834
19/11/2024	10/12/2024	10/12/2027	$0.1500	4,000,000	-	-	-	-	4,000,000
19/11/2024	10/12/2024	10/12/2027	$0.1000	2,000,000	-	-	-	-	2,000,000
28/01/2025	10/02/2025	10/02/2028	$0.1500	3,000,000	-	-	-	(3,000,000)	-
20/08/2025	23/07/2025	20/08/2028	$0.1500	-	200,000	-	-	-	200,000
15/08/2025	23/07/2025	15/08/2028	$0.1500	-	200,000	-	-	-	200,000
19/08/2025	23/07/2025	19/08/2028	$0.1500	-	200,000	-	-	-	200,000
31/10/2025	12/11/2025	31/10/2028	$0.3000	-	2,000,000	-	-	-	2,000,000
28/10/2025	12/11/2025	28/10/2028	$0.3000	-	2,000,000	-	-	-	2,000,000
28/10/2025	12/11/2025	28/10/2028	$0.3000	-	2,000,000	-	-	-	2,000,000
09/10/2025	12/11/2025	24/04/2028	$0.1600	-	750,000	-	-	-	750,000
28/10/2025	12/11/2025	27/10/2028	$0.1500	-	3,000,000	-	-	-	3,000,000
28/10/2025	12/11/2025	28/10/2028	$0.1500	-	750,000	-	-	-	750,000
12/11/2025	12/11/2025	12/11/2028	$0.2500	-	8,000,000	-	-	-	8,000,000
06/03/2026	16/04/2026	06/03/2029	$0.6000	-	4,000,000	-	-	-	4,000,000
20/05/2026	04/06/2026	20/05/2031	$0.4500	-	500,000	-	-	-	500,000
19/05/2026	04/06/2026	19/05/2031	$0.4500	-	500,000	-	-	-	500,000
				13,997,500	**24,100,000**	**(2,871,666)**	**(230,000)**	**(3,000,000)**	**32,495,834**
Weighted average exercise price				$0.1610	$0.3139	$0.1560	$0.2100	$0.1500	$0.2779

[1] On 2 July 2025 Phillip Lynch resigned as Chairman of the company. 3,000,000 unvested unlisted options @ $0.15 expiring 10/02/2028 lapsed upon resignation.

Notes to the financial statements

30 June 2026

Note 6. Share based payments (continued)

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

		2026	2025
Grant date	Expiry date	Number	Number
21/03/2024	21/03/2027	1,895,834	3,617,500
19/11/2024	19/11/2027	3,000,000	-
9/10/2025	24/04/2028	375,000	-
28/10/2025	28/10/2028	750,000	-
27/05/2026	27/10/2029	4,000,000	-

For the options granted during the period, the Black Scholes 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	Vesting condition	Number granted
24/04/2025	24/04/2028	$0.4200	$0.1600	109.52%	0.00%	3.60%	$0.3332	[1,2]	750,000
20/08/2025	20/08/2028	$0.2000	$0.1500	109.00%	0.00%	3.60%	$0.1440	[1]	200,000
15/08/2025	15/08/2028	$0.1950	$0.1500	108.62%	0.00%	3.60%	$0.1394	[1]	200,000
19/08/2025	19/08/2028	$0.2100	$0.1500	108.65%	0.00%	3.60%	$0.1525	[1]	200,000
31/10/2025	31/10/2028	$0.4300	$0.3000	102.94%	0.00%	3.60%	$0.3054	[3]	2,000,000
28/10/2025	28/10/2028	$0.3800	$0.3000	102.93%	0.00%	3.60%	$0.2619	[3]	4,000,000
28/10/2025	27/10/2028	$0.3800	$0.1500	102.93%	0.00%	3.60%	$0.3023	[1]	3,000,000
28/10/2025	28/10/2028	$0.3800	$0.1500	102.93%	0.00%	3.60%	$0.3024	[4]	750,000
12/11/2025	12/11/2028	$0.4250	$0.2500	102.95%	0.00%	3.60%	$0.3135	[1]	8,000,000
06/03/2026	06/03/2029	$0.4200	$0.6000	91.40%	0.00%	3.85%	$0.2181	[4]	4,000,000
20/05/2026	20/05/2031	$0.4000	$0.4500	83.42%	0.00%	4.35%	$0.2666	[5]	500,000
19/05/2026	19/05/2031	$0.3800	$0.4500	83.28%	0.00%	4.35%	$0.2496	[6]	500,000

[1] Vesting condition of 50% 12 months from grant date, and 50% 24 months from grant date.
[2] Granted and therefore fair valued on AGM date. However, vesting condition commenced on 24 April 2025.
[3] Vesting condition of 50% upon receipt of U.S. FDA approval for Galidesivir under the Animal rule pathway, and 50% upon issue of a Priority Review Voucher by the FDA in connection with such approval.
[4] Vested immediately.
[5] 20% if a pivotal Marburg NHP study is initiated within 12 months of execution of the consulting agreement, 20% upon initiation of an Ebola NHP pivotal study, 20% upon initiation of a Sudan NHP study, 20% upon approval for Company by the FDA of any formulation of Galidesivir if consultant is engaged by Company at the time of approval and 20% upon receipt by Company of a contract to sell Galidesivir in the Strategic National Stockpile.
[6] 20% if a Phase 2 clinical trial using an oral or IV formulation of ISLA-101 is initiated within 1 year of execution of consulting agreement, 20% upon the one-year anniversary of consulting agreement, 20% upon the two-year anniversary of consulting agreement and 40% upon approval or authorisation for Company by the FDA of any formulation of ISLA-101 (subject to material contribution).

Notes to the financial statements

30 June 2026

Note 7. Loss per share

	2026 $	2025 $
Loss after income tax attributable to the owners of Island Pharmaceuticals Limited	(9,843,987)	(3,920,139)

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	270,316,143	173,349,397
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	270,316,143	173,349,397

	Cents	Cents
Basic earnings per share	(3.64)	(2.26)
Diluted earnings per share	(3.64)	(2.26)

There are 33,749,803 options which have vested and are considered to be dilutive. The options are not included as the Group is loss-making, so incorporating in the impacts of contingent equity is anti-dilutive.

Note 8. Current assets - trade and other receivables

	2026 $	2025 $
Research and Development Tax Incentive Receivable	248,451	108,910
GST receivable	37,128	70,698
	285,579	**179,608**

Note 9. Non-current assets - intangibles

	2026 $	2025 $
Other intangible assets - at cost	841,703	-
Less: Accumulated amortisation	(105,289)	-
	736,414	**-**

Notes to the financial statements

30 June 2026

Note 9. Non-current assets - intangibles (continued)

The Company signed an asset purchase agreement on 9 July 2025 for the acquisition of the Galidesivir program from BioCryst Pharmaceuticals Inc (Nasdaq: BCRX) for US $550,000 (AUD $841,703). Galidesivir is a broad acting antiviral with a robust development history with significant research and development funding from the US government. The acquisition price was apportioned to each patent group based on management estimate and amortisation is recognised over the remaining life of the patents, which range from October 2011 to March 2041, resulting in useful lives of between 4 and 13 years from the acquisiton date.

The asset purchase agreement includes milestone payments to be made to BioCryst upon the occurrence of certain criteria.
Refer to note 18 for further information.

Note 10. Current liabilities - trade and other payables

	2026 $	2025 $
Trade payables	157,390	150,400
Accrued expenses	276,368	82,154
Other payables	2,097	2,829
Owing to key management personnel	74,500	77,004
	510,355	**312,387**

Refer to note 13 for further information on financial instruments.

Note 11. Equity - issued capital

Ordinary shares

	2026 Shares	2025 Shares	2026 $	2025 $
Ordinary shares - fully paid	**295,916,682**	**236,093,034**	**42,913,077**	**31,630,102**

Movements in ordinary share capital

	2026 Shares	2025 Shares	2026 $	2025 $
At the beginning of reporting period	236,093,034	126,767,093	31,630,102	22,393,812
Issue of ordinary shares	26,380,951	73,333,334	9,100,000	7,000,000
Issue of ordinary shares upon exercise of options	33,442,697	33,241,241	2,588,072	2,047,485
Transfer of fair value on exercised options	-	-	193,071	20,533
Issue of ordinary shares in lieu of payment for services	-	2,751,366	-	415,000
Less: Cost of raising capital	-	-	(598,168)	(246,728)
At the end of the reporting period	**295,916,682**	**236,093,034**	**42,913,077**	**31,630,102**

Notes to the financial statements

30 June 2026

Note 11. Equity - issued capital (continued)

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

Upon a poll each share shall have one vote.

Note 12. Reconciliation of loss after income tax to net cash used in operating activities

	2026 $	2025 $
Loss after income tax expense for the year	(9,843,987)	(3,920,139)
Adjustments for:		
Depreciation and amortisation	105,289	-
Share-based payments	5,053,325	336,547
Foreign exchange differences	(188,802)	2,123
Interest expense capitalised into borrowings	-	27,307
Value of shares issued for services in lieu of consideration	-	415,000
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(105,971)	711,059
(Increase)/decrease in prepayments	(41,899)	(48,073)
Increase/(decrease) in trade and other payables	183,946	(264,272)
Increase/(decrease) in employee benefits	4,130	(27,917)
Net cash used in operating activities	**(4,833,969)**	**(2,768,365)**

Note 13. Financial instruments

Financial risk management objectives

The Group's material financial assets and liabilities consist of cash and accounts payable.

The Group's activities expose it to two financial risks, being foreign exchange and liquidity risk. These risks are managed at Board level through cashflow forecasting analyses.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return.

Note 13. Financial instruments (continued)

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

The Group undertakes transactions denominated in foreign currencies, mainly in US dollars; consequently, exposures to exchange rate fluctuations arise. At 30 June 2026, the Company has cash denominated in US dollars, US$4,664,508 (2025: US$68,452). The A$ equivalent at 30 June 2026 is $6,774,540 (2025: $105,267). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately $233,225 (2025: $3,438).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

	Carrying amount $	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	Total contractual cash flows $
2026 contractual cash flows						
Trade and other payables	498,356	498,356	-	-	-	498,356
2025 contractual cash flows						
Trade and other payables	297,385	297,385	-	-	-	297,385

Fair value of financial instruments

As at 30 June 2026 the carrying values of all financial assets and liabilities approximated their fair value.

Notes to the financial statements

30 June 2026

Note 14. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2026 $	2025 $
Loss after income tax	(9,843,987)	(3,920,139)
Total comprehensive income	(9,843,987)	(3,920,139)

Statement of financial position

	Parent	
	2026 $	2025 $
Total current assets	13,258,369	7,491,167
Total assets	13,994,783	7,491,167
Total current liabilities	538,525	336,424
Total liabilities	538,525	336,424
Equity		
Issued capital	30,170,316	18,887,320
Share-based payments reserve	5,442,531	610,629
Accumulated losses	(22,156,589)	(12,343,206)
Total equity	13,456,258	7,154,743

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2026.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2026.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2026.

Note 14. Parent entity information (continued)

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 15. Related party transactions

Key Management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Directors and Key Management Personnel compensation

The Directors and Key Management Personnel compensation included in "employee expenses" are as follows:

Nature of compensation	2026 $	2025 $
Short-term employee benefits	642,445	678,497
Post-employment benefits	10,714	16,678
Share-based payments	1,828,385	342,847
	2,481,544	**1,038,022**

Subsidiaries

Interests in subsidiaries are set out in note 17.

Other related party transactions

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Notes to the financial statements

30 June 2026

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Pty Ltd the auditor of the company:

	2026 $	2025 $
Audit services		
Audit or review of the financial statements	56,800	56,250
Other services		
Research & Development Tax Incentive Services	70,071	15,000
	126,871	**71,250**

Note 17. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2026 %**	**2025 %**
Isla Pharmaceuticals Inc.	United States of America	100%	100%

Note 18. Commitments and contingencies

Galidesivir acquisition milestone payments
The Company will pay BioCryst the following non-refundable, non-creditable amounts as a Milestone Payment within thirty
days following each achievement of the corresponding milestone event:

- US $500,000, payable upon the completion of each Phase II clinical trial
- US $1,000,000, payable upon each NDA approval
- US $1,500,000, payable upon receipt of each Animal Rule approval

Additionally, the Company is required to pay:
- Tiered royalties of 5-10% of net sales
- 25% of proceeds from sale of any Priority Review Voucher awarded due to FDA approval of the acquired program

The directors are of the opinion that there are no other significant commitments and contingencies requiring disclosure for the Company as at 30 June 2026.

No additional payments have been made under the asset purchase agreement other than the initial acquisition costs.

Notes to the financial statements

30 June 2026

Note 19. Events after the reporting period

On 3 July 2026, 500,000 unlisted options exercisable at $0.60 expiring 3 years from grant date, were granted to a consultant, with 50% vesting after 1 year and the remaining 50% vesting after 2 years.

No other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 20. Unrecognised carry-forward tax losses

The Group has income tax revenue losses of approximately $11,623,559 (2025: $9,535,486) for which no deferred tax asset has been recognised.

Consolidated entity disclosure statement

As at 30 June 2026

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Island Pharmaceuticals Limited	Body Corporate	Australia	N/A	Australia
Isla Pharmaceuticals, Inc.	Body Corporate	United States of America	100%	United States of America & Australia

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 Group 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 Corporation 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

Where necessary, the Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

Partnerships and Trusts

None of the entities noted above were trustees of trusts within the Group, partners in a partnership within the Group or participants in a joint venture within the Group.

Directors' Declaration

30 June 2026

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with IFRS Accounting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors

Jason Carroll
Non-Executive Chairman

26 August 2026
Melbourne

William Buck
ACCOUNTANTS & ADVISORS

Independent auditor's report to the members of Island Pharmaceuticals Limited

Report on the audit of the financial report

Opinion

In our opinion, the accompanying financial report of Island Pharmaceuticals Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2026 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2026,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

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

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

William Buck
ACCOUNTANTS & ADVISORS

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.

	Area of focus (refer also to notes 2 & 9)	How our audit addressed the key audit matter
Acquisition and Accounting for the Intellectual Property Assets	During the year, Island Pharmaceuticals Limited completed the acquisition of the Galidesivir antiviral program from BioCryst Pharmaceuticals, Inc. for upfront consideration of US$550,000, together with various milestone, royalty and other contingent payment arrangements. Management determined that the transaction represented an acquisition of assets rather than a business combination under *AASB3 Business Combinations*. Accordingly, the upfront consideration paid was capitalised as an intangible asset, being acquired patent rights, while future milestone, royalty and other contingent payments were not recognised on acquisition and are disclosed in the financial statements. Management also allocated the acquisition cost across the acquired patent families for the purposes of determining the amortisation charge over the remaining patent useful lives. This matter was considered a Key Audit Matter due to the judgement involved in determining that the transaction was an asset acquisition rather than a business combination under *AASB 3*, the recognition and valuation of the acquired assets, and the treatment of the associated contingent payment arrangements.	Our audit procedures included: — Obtained and reviewed the asset purchase agreement, and related transaction documentation to understand the terms of the acquisition; — Evaluating management's assessment that the transaction was an asset acquisition rather than a business combination under *AASB3*, including consideration of the optional concentration test and the absence of substantive processes, employees and outputs; — Agreeing the consideration paid to supporting payment documentation and contractual terms; — Evaluating the accounting treatment and disclosure of the milestone, royalty and other contingent payment arrangements; and — Assessed the reasonableness of the cost allocation across the patent families, and corroborated the useful lives against contractual patent expiry dates. We assessed the adequacy of the financial statement disclosures concerning the Group's accounting policies with respect to the asset acquisition and the contingent payment arrangements, and the disclosure of the acquisition within the notes to the financial report.

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 2026, but does not include the financial report and our auditor's report thereon.

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

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:

- 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
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001,* and

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

- 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
- 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf

This description forms part of our auditor's report.

William Buck
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

Our opinion on the Remuneration Report

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

What was audited?

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2026.

Responsibilities

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Melbourne, 26 August 2026

Shareholder information

30 June 2026

The shareholder information set out below was applicable as at 7 August 2026.

Ordinary Shares

Distribution of equitable securities

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

Holding ranges	Holders	Total units	% Issued Share Capital
Above 0 up to and including 1,000	102	58,390	0.02%
Above 1,000 up to and including 5,000	673	1,787,099	0.60%
Above 5,000 up to and including 10,000	326	2,679,809	0.91%
Above 10,000 up to and including 100,000	769	28,331,892	9.57%
Above 100,000	261	263,059,492	88.90%
	2,131	295,916,682	

There are 117 shareholdings held with less than a marketable parcel, totalling 74,075 shares or 0.03% of the total share capital.

Shareholder information

30 June 2026

Equity security holders

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.

Position	Holder	Holding	% held
1	DR WILLIAM JAMES GARNER	40,440,073	13.67%
2	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	38,058,749	12.86%
3	MR JASON ALAN CARROLL	32,074,930	10.84%
4	DR DANIEL TILLETT	20,973,789	7.09%
5	DR JACK YETIV	7,000,000	2.37%
6	MR NEVILLE JAMES MILES	6,412,487	2.17%
7	MR DAVID FOSTER	6,306,829	2.13%
8	BUPRESTID PTY LTD <HANLON FAMILY S/F A/C>	3,553,285	1.20%
9	CITICORP NOMINEES PTY LIMITED	3,341,231	1.13%
10	S3 CONSORTIUM PTY LTD	2,250,054	0.76%
11	MR ALISTAIR ROBERT BAKER	2,160,869	0.73%
12	MR TERENCE LEO TOBIN & MRS ELIZABETH JOY TOBIN	2,000,000	0.68%
13	MR PHILLIP RICHARD PERRY & MRS TETYANA PERRY <DONESKA SUPER FUND A/C>	1,924,340	0.65%
14	MR PHILLIP RICHARD PERRY	1,810,000	0.61%
15	NON CORRELATED CAPITAL PTY LTD <INVESTIUS PB MICRO CAP A/C>	1,660,000	0.56%
16	BAYESIAN HOLDINGS PTY LTD <M&IL A/C>	1,650,000	0.56%
16	LILLUCY PTY LTD <LILYPILY SUPER FUND A/C>	1,650,000	0.56%
17	MR ANTHONY STEPHEN CORMACK	1,645,000	0.56%
18	MR PHILLIP RICHARD PERRY	1,635,714	0.55%
19	MR ROSS EARL HENRY	1,600,000	0.54%
20	MRS PATRICIA FERNANDES DIAS DE ALMEIDA	1,453,146	0.49%
	Total	**179,600,496**	**60.69%**
	Total issued capital - selected security class(es)	**295,916,682**	**100.00%**

Shareholder information

30 June 2026

Substantial shareholders

The names of substantial shareholders in accordance with section 671B of the Corporations Act 2001 are:

Position	Shareholder[1]	Holding	IC %
1	DR WILLIAM JAMES GARNER	40,440,073	13.67%
2	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLI-ENT>	38,058,749	12.86%
3	MR JASON ALAN CARROLL	32,074,930	10.84%
4	DR DANIEL TILLETT	20,973,789	7.09%

Unquoted Options

The Company has the following unquoted securities on issue:

1,895,834 options expiring 21 March 2027 @ $0.1200 – 3 holders	Number	%
Holders with more than 20%		
NON CORRELATED CAPITAL PTY LTD - INVESTIUS PB MICRO CAP A/C	1,249,166	65.89%

19,428,969 options expiring 4 December 2026 @ $0.0700 – 3 holders	Number	%
Holders with more than 20%		
MWP PARTNERS LIMITED	10,445,682	53.76%
DR DANIEL TILLETT	6,963,788	35.84%

4,000,000 options expiring 10 December 2027 @ $0.1500 – 1 holder	Number	%
Holders with more than 20%		
DR DAVID C FOSTER	4,000,000	100.00%

2,000,000 options expiring 10 December 2027 @ $0.1000 – 1 holder	Number	%
Holders with more than 20%		
CHRISTOPHER NTOUMENOPOULOS	2,000,000	100.00%

6,000,000 options expiring 27 December 2028 @ $0.3000 – 3 holders	Number	%
Holders with more than 20%		
DR DAVID C FOSTER	2,000,000	33.33%
MR JASON ALAN CARROLL	2,000,000	33.33%
CHRISTOPHER NTOUMENOPOULOS	2,000,000	33.33%

750,000 options expiring 30 April 2028 @ $0.1600 – 1 holder	Number	%
Holders with more than 20%		
CHRISTOPHER NTOUMENOPOULOS	750,000	100.00%

Shareholder information

30 June 2026

3,000,000 options expiring 27 October 2028 @ $0.1500 – 1 holder	Number	%
Holders with more than 20%		
MR JASON ALAN CARROLL	3,000,000	100.00%

750,000 options expiring 27 October 2028 @ $0.1500 – 1 holder	Number	%
Holders with more than 20%		
PHILLIP LYNCH	750,000	100.00%

8,000,000 options expiring 12 November 2029 @ $0.2500 – 2 holders	Number	%
Holders with more than 20%		
ORA CAPITAL LTD	6,000,000	75.00%
TAURUS CAPITAL GROUP PTY LTD	2,000,000	25.00%

4,000,000 options expiring 16 April 2029 @ $0.6000 – 1 holder	Number	%
Holders with more than 20%		
TAURUS CAPITAL GROUP PTY LTD	4,000,000	100.00%

2,100,000 options expiring various – 5 holders	Number	%
Holders with more than 20%		
HENRY JORDAN	700,000	33.33%
RAYMOND TAYLOR	500,000	23.81%
STEPHEN THOMAS	500,000	23.81%

Restricted & Escrowed Securities

The Company has no restricted or escrowed securities.

Use of funds

Since admission the Company has used its cash in a way consistent with its business objectives.

On-Market buy-back

There is no current on-market buy-back.

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website: https://islandpharmaceuticals.com/corporate-governance/corporate-governance-statement/

Required Statements

The Company advises that the Annual General Meeting (AGM) of the Company is currently scheduled for 8 October 2026 at 11:00am (AEDT). The location of the AGM is Automic Group, Deutsche Bank, Tower Level 5 126 Phillip Street, Sydney NSW 2000.

Further to Listing Rule 3.13.1, Listing Rule 14.3 and Clause 13.3 of the Company's Constitution, nominations for election of directors at the AGM must be received not less than 35 Business Days before the meeting, being no later than 21 August 2026.