Cortical Dynamics Limited

ACN 107 557 620

Financial Report 30 June 2026

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Directors
David Breeze
Charles Chang
Ashley Zimpel

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The directors of Cortical Dynamics Limited ("Cortical Dynamics" or the "Company") present their report on the company for the financial year ended 30 June 2026.

Directors

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

Name	Date Appointed	Date Resigned
David Breeze	9 November 2004	Current
Charles Chang	4 March 2020	Current
Ashley Zimpel	4 March 2020	Current

Company Secretary

Mr David Breeze was appointed Company Secretary on 23 November 2016 until his resignation on 17 December 2019. He was re-appointed Company Secretary on 26 February 2020. He has many years' experience in the management of listed and unlisted entities.

Principal Activities

The principal activity of the Company during the financial year was the development of the Brain Anaesthesia Response Monitor (BARM) which is based on an algorithm able to measure patient brain activity during surgery to assist in maintaining optimal drug dosage.

Operating Results

The operating loss for the Company after tax for the year was $3,914,184 (2025: loss of $2,610,705).

Dividends

The directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Indemnifying Officers or Auditors

During or since the end of the financial year the Company has paid premiums to insure directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The Company has not indemnified the current or former auditors of the Company.

Financial Position

The Company has a working capital deficit of $3,497,843 as at 30 June 2026 (2025: deficit of $2,622,504) and net liabilities of $4,091,838 as at 30 June 2026 (2025: net liabilities of $2,600,083).

Significant Changes in State of Affairs

There were no other significant changes in the state of affairs of the Company other than that referred to in the Review of Operations, financial statements or notes thereto.

Information on Directors

Ashley Zimpel (appointed 4 March 2020)
Executive Director – Age 67
Shares held – 10,140,705
Options held – 14,500,000

Mr Zimpel is Perth based business developer, corporate financier and senior banker/investment banker with broad financial markets experience and a strong focus on innovation, client interaction, financing and business strategy. He has a 35 year track record of founding, investing in and establishing businesses in financial capital markets, Agribusiness and fintech in WA and Australia wide. Adviser and mentor to Start-ups, SMEs and state government. He has a long history of interaction with Western Australian Government Sector, WA Universities, business incubators and innovation community. He has an exemplary record of capital raising in both equity, debt and structured financial products for start-ups, SMEs, ASX listed public companies and government agencies both in Australia and internationally. He has held positions of executive chairman, executive director, director, partner and financial advisor in financial institutions and ASX listed companies including Aurora Labs (ASX:A3D). His prior roles include:- Enable Funding-Co-Founder and Founding Chairman, Charter Pacific Corporation-Chairman Advisory Committee, Marine Produce Limited-Chairman, Macquarie Bank-Director, Bankers Trust Australia- Senior Vice President, Rand Merchant Bank Australia-Co Founder / Executive Director, Hattersley Maxwell Noall.

David Breeze (appointed 9 November 2004)
Executive Director and Company Secretary – Age 73
Shares held – 9,998,702
Options held- 3,500,000

David is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; and held executive and director positions in the stock broking industry. David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as an Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of $250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

David is Chairman of unlisted Grandbridge Limited, an investment and advisory company, and a director ASX listed BPH Energy Limited and MEC Resources Limited. He is also a director of unlisted Molecular Discovery Systems Limited and Advent Energy Limited and its subsidiaries.

Charles Chang (appointed 4 March 2020)
Non - Executive Director – Age 69
Shares held – 1,875,590
Options held – 3,500,000

Mr Chang was the founder of corporate strategic advisory firm Accolade, Inc. in 2000, co-founder of a NGO in building energy efficiency called Reimagining Cities, and Gentium Partners, an accelerator VC investment firm under the auspices of the Ministry of Small-and-Medium Enterprises. Mr Chang was previously a Managing Director at Deutsche Bank and Bankers Trust, in investment banking. Mr Chang received his M.Sc. from Dartmouth Guarani School of Graduate and Advanced Studies and B.A. in Economics from UC Berkeley. Over the years, Mr Chang has served on several boards including as a representative of AXA Asset Management in their JV in Korea with the third largest domestic life insurance company. Mr Chang co-chaired the subcommittee on PE/VC for the AmCham in Korea and is still actively involved in ESG, climate change activism, and supporting a NGO for disadvantaged children.

Review of Operations

Cortical Dynamics Limited is an Australian based medical device neurotechnology company that is developing BARM™, an industry leading EEG (electrical activity) brain function monitor. BARM™ is being developed to better detect the effect of anaesthetic agents on brain activity under a general operation, aiding anaesthetists in keeping patients optimally anaesthetised, and complemented by CORDYAN™ (Cortical Dynamics Analytics), a proprietary deep learning system/App focusing on anaesthesiology.

The Australian manufactured and designed, electroencephalographically based (EEG-based), BARM™ system is configured to efficiently image and display complex information related to the clinically relevant state of the brain. When commercialised the BARM™ system will be offered on a stand-alone basis or integrated into leading brand operating room monitors as "plug and play" option.

Technical completion of Cortical's next-generation AI enhanced brain and pain monitoring BARM 2.0 is expected over the next months.

BARM 2.0 is the only solution that unifies hypnotic depth and pain response monitoring, combining EEG with AI in one system, giving clinicians real-time control over anaesthesia, and hospitals a smarter, more scalable way to achieve better patient outcomes both during and after surgery. Post technical completion BARM 2.0 clinical trials are scheduled in the USA and the Netherlands to be followed by submissions to regulatory authorities worldwide as soon as possible.

Technical completion of Cortical's next-generation AI enhanced brain and pain monitoring BARM 2.0 Minimum Viable Product (MVP) suitable for trials is nearing completion. BARM 2.0 will then be EMC tested (electrical safety testing). Cortical's proprietary newly designed BarSensors™ (to be used with BARM 2.0) will be biocompatibility and aged tested for safety and shelf-life longevity as precursors to the clinical trials and consequential regulatory approvals.

BARM 2.0 is the only solution that unifies hypnotic depth and pain response monitoring, combining EEG with AI in one system, giving clinicians real-time control over anaesthesia, and hospitals a smarter, more scalable way to achieve better patient outcomes both during and after surgery.

Brain monitoring is an essential component of modern anaesthesia care. During surgery, anaesthesia and the surgical procedure itself can cause rapid changes in a patient's vital functions, yet current monitors do not capture all aspects of an anaesthetic's effect on the brain — resulting in too much or too little anaesthesia being delivered. Over- and under-dosing both carry serious clinical and cost consequences, from delayed recovery to intra-operative awareness.

Who benefits

- *Anaesthetists and anaesthesiologists* — clearer, physiologically-grounded feedback for titrating anaesthetic and analgesic dosage in real time.
- *Hospitals and health systems* — reduced post-operative recovery time, shorter length of stay and lower complication rates translate directly into cost savings.
- *Patients* — optimal dosing reduces side-effects and supports opioid-sparing, enhanced-recovery pathways.

Cortical Dynamics addresses one of the largest recurring clinical markets in healthcare: brain and anaesthesia monitoring across surgical, ICU and emergency settings, spanning the many operations each year in which general anaesthetics, analgesics and opioids are administered representing over 300 million operations globally per annum under general anaesthesia. The technology also has application beyond anaesthesia — in neuro-diagnostics, pain response, drug discovery and evaluation.

As part of its future focus on the US market Cortical Dynamics has appointed two senior former US Generals as the founding members of its new US advisory team. Both generals have a background in healthcare post their military careers.

<u>3 Star Lieutenant General Roger Cloutier (Ret)</u>
<u>Commander NATO Allied Land Command (LANDCOM), 2019–2022</u>

- Senior NATO land warfare commander responsible for allied land operations and interoperability across member nations, with over 34 years of service in the United States Army and NATO.
- Extensive experience in multinational command, strategic operations, international security cooperation, crisis response and defence diplomacy. Former Commander of NATO Allied Land Command and U.S. Army Africa, overseeing large multinational military and humanitarian operations across Europe, Africa and the Middle East.
- Senior command responsibilities involving military medical systems, combat casualty care coordination, humanitarian medical support, field hospitals, and multinational military-health operations through NATO and U.S. Army Africa commands.

<u>1 Star Brigadier General Shan Bagby (Ret)</u>
<u>Commanding General Regional Health Command-Central, United States Army Medical Command</u>

- Led more than 23,000 healthcare personnel across a multi-state military health network serving over 500,000 beneficiaries.
- Distinguished military healthcare executive, oral and maxillofacial surgeon, and former senior leader within the United States Army Medical Command. More than 30 years of leadership experience across military medicine, hospital administration, trauma systems, healthcare operations and strategic medical readiness.
- Responsible for operational oversight of military hospitals, outpatient clinics, public health services, logistics and medical readiness programs.
- Former Commanding General of Brooke Army Medical Centre, the U.S. Department of Defence's largest military hospital and only Level I trauma centre and Principal advisor to the U.S. Army Surgeon General on all matters relating to military dentistry and operational medical readiness.

International Engagement and Investor Relations

Regulatory Device Summit, Sydney

Cortical was invited to showcase BARM 2.0 at the Australia Regulatory Device Summit 2025, that took place on the 17–18 July 2025 at ICC. In attendance were key stakeholders including the US FDA, Therapeutic Goods Administration (TGA) and international regulators from ANVISA (Brazil), HSA (Singapore), and PMDA (Japan). This was a unique chance for Cortical to connect directly with the regulatory community and major global players in medical technology.

MedTech on the Hill, Canberra

Cortical was also selected to exhibit BARM 2.0 at the Medtech on the Hill at Parliament House event in Canberra 27-28 August 2025, organised by the Medical Technology Association of Australia (MTAA). In attendance were Ministers, MPs, Senators, and industry leaders for an evening networking event in Mural Hall, Parliament House. The Showcase brought together a dynamic cross-section of MTAA member companies across therapeutic areas —from Australian startups to global MedTech leaders—offering hands-on demonstrations through a curated patient journey from prevention to management, and the chance to connect directly with the people and companies driving healthcare innovation forward.

MTAA is the peak association representing companies in the medical technology industry. MTAA aims to ensure the benefits of modern, innovative and reliable medical technology are delivered effectively to provide better health outcomes to the Australian community.

Renaissance Venture Capital – Un-Demo Day, Detroit, USA

Cortical Dynamics was invited to present BARM 2.0 to US investors at Un Demo Day in Detroit on 1 October 2025. Curated by Renaissance Venture Capital, this event brought together Michigan-based startups and investors from across the United States. The presentation served as an important platform to introduce BARM 2.0 to prospective investors and strategic partners, supporting the Company's eventual commercial rollout in the US market.

Henry Ford Innovations Visit, Michigan

In early October 2025, Cortical Dynamics visited Henry Ford Innovations in Detroit to advance collaborative discussions. The delegation met with Dr. Olena Danylyuk, who outlined Henry Ford Health's mission and legacy of medical innovation, and Dr. Patrick Forrest, Senior Staff Anaesthesiologist, to discuss developments in anaesthesia and gather feedback on BARM 2.0.

The company also met with representatives from State University of Michigan Innovation Team whose efforts in fostering US-Australia life sciences collaboration were acknowledged. Detroit's transformation into one of the fastest-growing innovation hubs in the United States presents an ideal environment for Cortical Dynamics to strengthen its partnerships and expand its presence in North America.

Wholesale Emergence Conference March 2026 Sydney

Cortical was invited to showcase BARM 2.0 at the Emergence Conference organised by Wholesale Investor in Sydney. Over 1,400 investors and industry participants attended the two-day event.

Mayo Clinic Presentation Melbourne March 2026

Cortical was selected to present its work on AI in relation to both BARM 2.0 and CORDYAN™ to Mayo Clinic (USA) during their recent visit to Melbourne at the new Aikenhead Centre for Medical Discovery affiliated with St Vincent's Hospital. Cortical was among a number of innovative Australian Medtech companies focussing on AI from around the country to be invited to meet with Mayo Clinic representatives at the two-day event.

CORDYAN™

Work continues on the development of CORDYAN™ which is Cortical Dynamic's new AI focussed predictive App initiative. Utilising proprietary state of the art AI and deep learning expertise Cortical Dynamics is developing game changing medical Apps that can be used in association with BARM 2.0 or standalone and /or be integrated into leading OEM healthcare systems and EMR (electronic medical records). CORDYAN™'s development has been facilitated by matched grants from MTPConnect, Australia's premier MedTech governmental organisation, and ARM-hub a federal government initiative to accelerate AI related technologies in areas of strategic importance.

The year demonstrated meaningful progress in Cortical's engagement across regulatory, commercial, and investor domains. The Company's growing recognition within both Australian and international MedTech ecosystems continues to support its strategic objective of global commercialisation of BARM 2.0 and future AI-based predictive healthcare technologies.

Subsequent Events

There have not been any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Meetings of Directors

During the financial year no meetings of directors were held. The Board meets regularly by telephone to make day-to-day decisions with respect to the business of the Company.

Non-Audit Services

The external auditors did not perform any non-audit services during the year ended 30 June 2026 (2025: $Nil).

Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Grant Date	*Date of Expiry*	*Exercise Price*	*Number Under Option*
9/5/2025	9/5/2030	$0.25	7,000,000
5/12/2025	5/12/2030	$0.25	14,750,000
18/5/2026	31/5/2029	$0.25	500,000

During the year ended 30 June 2026, no ordinary shares of the Company were issued on the exercise of options (2025: 556,667). No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate. No shares have been issued since the end of the financial year as a result of exercise of an option.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Likely Developments

Likely developments other than those disclosed in this financial report which may prejudice the Company by disclosure have not been disclosed.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2026 has been received and can be found on page 8.

Signed in accordance with a resolution of the board of directors.

David Breeze
Director
Dated this 23rd September 2026

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Cortical Dynamics 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:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

David Healy

Perth, Western Australia	**D B Healy**
23 September 2026	**Partner**

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2026
Cortical Dynamics Limited

	Note	2026 $	2025 $
Revenue	2	900	999
Other income	2	895,417	807,788
Administration expenses		(796,848)	(708,885)
Interest expense		(223,882)	(92,053)
Finance costs		(58,715)	(57,467)
Legal and patent expenses		(132,702)	(177,796)
Depreciation expense: property, plant and equipment	10	(4,086)	(3,949)
Depreciation expense: right-of-use asset	11	(45,786)	(42,468)
Share based payments	23	(2,383,660)	(1,102,583)
Research and development expenses	3	(1,163,942)	(1,226,806)
Inventory write off		(880)	-
Other expenses from ordinary activities		-	(7,485)
Operating loss before income tax		(3,914,184)	(2,610,705)
Income tax expense	7	-	-
Operating loss from continuing operations		(3,914,184)	(2,610,705)
Other comprehensive Income:		-	-
Total comprehensive loss		(3,914,184)	(2,610,705)

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Statement of Financial Position

as at 30 June 2026

Cortical Dynamics Limited

	Note	2026 $	2025 $
Current Assets			
Cash and cash equivalents	5	29,214	22,562
Trade and other receivables	8	25,528	31,078
Prepayments		77,531	84,488
Inventories	9	22,720	23,600
Total Current Assets		154,993	161,728
Non-Current Assets			
Property, plant and equipment	10	11,952	12,222
Right-of-use asset	11	30,376	10,199
Total Non-Current Assets		42,328	22,421
Total Assets		197,321	184,149
Current Liabilities			
Trade and other payables	12	1,059,822	959,443
Provisions	13	98,511	45,509
Lease liabilities	14	30,678	10,455
Borrowings	15	2,463,825	1,768,825
Total Current Liabilities		3,652,836	2,784,232
Non-Current Liabilities			
Borrowings	15	636,323	-
Total Non-Current Liabilities		636,323	-
Total Liabilities		4,289,159	2,784,232
Net (Liabilities)		(4,091,838)	(2,600,083)
Equity			
Issued capital	16	9,985,092	9,946,323
Reserves	17	4,382,965	1,999,305
Accumulated losses		(18,459,895)	(14,545,711)
Total Deficiency Attributable to Equity Holders of the Company		(4,091,838)	(2,600,083)

The accompanying notes form part of, and should be read in conjunction with, these financial statements

	Issued Capital $	Accumulated losses $	Reserves $	Total $
Balance at 30 June 2024	9,812,823	(11,935,006)	896,722	(1,225,461)
Loss attributable to members of the Company	-	(2,610,705)	-	(2,610,705)
Total comprehensive loss	-	(2,610,705)	-	(2,610,705)
Shares issued for cash	50,000	-	-	50,000
Shares issued on cashless exercise of options	83,500	-	-	83,500
Share based payments	-	-	1,102,583	1,102,583
Balance at 30 June 2025	9,946,323	(14,545,711)	1,999,305	(2,600,083)
Loss attributable to members of the Company	-	(3,914,184)	-	(3,914,184)
Total comprehensive loss	-	(3,914,184)	-	(3,914,184)
Shares issued for cash	7,969	-	-	7,969
Shares issued in extinguishment of debt	30,800	-	-	30,800
Share based payments	-	-	2,383,660	2,383,660
Balance at 30 June 2026	9,985,092	(18,459,895)	4,382,965	(4,091,838)

The accompanying notes form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows
for the year ended 30 June 2026
Cortical Dynamics Limited

	Note	2026 $	2025 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,897,618)	(1,908,305)
Research and development tax rebate received		895,417	807,788
Interest received		900	999
Interest paid		(3,863)	(4,159)
Net cash used in operating activities	18(b)	(1,005,164)	(1,103,677)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(3,816)	(3,739)
Net cash used in investing activities		(3,816)	(3,739)
Cash flows from financing activities			
Shares issued for cash	16	7,969	50,000
Repayment of lease liabilities	14, 18(c)	(45,740)	(40,827)
Loans repaid to related entity	18(c)	(876,597)	(807,798)
Loans received from related entity	18(c)	1,930,000	1,900,000
Net cash provided by financing activities		1,015,632	1,101,375
Net increase / (decrease) in cash held		6,652	(6,041)
Cash at the beginning of the financial year		22,562	28,603
Cash at the end of the financial year	18(a)	29,214	22,562

The accompanying notes form part of and should be read in conjunction with these financial statements.

1. Statement of Material Accounting Policies

Corporate Information

The financial report includes the financial statements and the notes to the financial statements of Cortical Dynamics Ltd ("Cortical" or the "Company"). Cortical is a public unlisted company, which is incorporated and domiciled in Australia. This financial report was authorised for issue on 23rd September 2026 by the board of directors.

Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, and the Corporations Act 2001. Cortical Dynamics Limited is a for-profit entity for the purpose of preparing the financial statements. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated. The financial report is prepared on an accruals basis and based on historical costs, modified, where applicable, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Compliance with IFRS

The financial statements of Cortical Dynamics Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going Concern

The operating loss for the Company after tax for the year was $3,914,184 (2025: $2,610,705). The Company has a working capital deficit of $3,497,843 as at 30 June 2026 (2025: deficit of $2,622,504) and net liabilities of $4,091,838 as at 30 June 2026 (2025: net liabilities of $2,600,083). Included in trade creditors and payables are balances totalling $899,333 (2025: $747,333) payable to current directors. The directors, as a part of their cash expenditure monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources and will not seek payment of their outstanding fees until such time that the Company has sufficient cash resources. Cortical anticipates that it may need to secure funding through a combination of equity raisings, Research and Development tax incentives and grants. In addition, BPH Energy Limited has confirmed that the $3,100,148 loan provided to Cortical will not be called upon for repayment for a period of at least 12 months or until such time Cortical is financially independent. The Company anticipates that it would, if required, be able to obtain further short term funding of up to $600,000 from BPH Energy Limited, and BPH has confirmed that such funding would be made available.

Based on the cash flow forecasts and expense reductions implemented, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Should the Company not be successful in raising additional funds through the issue of new equity or borrowings, should the need arise, there exists a material uncertainty that may cast significant doubt as to whether or not the Company will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities as and when they fall due and in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Material Accounting Policies

(a) Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

• amortised cost
• fair value through profit or loss (FVTPL)
• equity instruments at fair value through other comprehensive income (FVOCI)
• debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

(i) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows.

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also

(a) Financial Instruments (continued)

contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
• 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

(b) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(c) Revenue and Other Income

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Income Tax

The charge / (benefit) for current income tax expense is based on the profit / (loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses or tax credits can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax incentives

The Company may be entitled to claim a Research and Development Tax Incentive in relation to qualifying expenditure. As the Company is not in a position to recognise current income tax payable or current tax expense, the refundable tax offset is in cash and recognised as Research and Development Tax Incentive rebate revenue in the period received.

(e) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are unsecured and are usually paid within 60 days.

(f) Comparative Figures

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

(g) Share based payments

Share based compensation benefits are provided to employees as shares or via the employee incentive option plan. The fair value of shares is measured at grant date with most recent capital raise share price used to value the equity.

The fair value of options granted under the Company's employee option plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance date, the Company revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

(h) Critical accounting estimates and judgments

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

Key estimates — Research and development tax incentives

The Company has determined that it will only recognise research and development tax incentive rebates in the period in which they are received.

Key estimates — Share based payments

The fair value of share based payments is set out in Note 1(g) using a Black Scholes option pricing model.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value (refer Note 9).

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

(i) Raw materials – purchase cost on a first-in, first-out basis; and
(ii) Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings / accumulated losses.

(k) Employee Benefits

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

(l) Application of New and Revised Accounting Standards

<u>New or amended Accounting Standards and Interpretations adopted</u>

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

<u>New Accounting Standards and Interpretations not yet mandatory or early adopted</u>

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2026. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, 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 AASB 101 '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 Company 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.

(m) Leases

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is recognised over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	Note	2026 $	2025 $

2. Revenue

	Note	2026 $	2025 $
Revenue			
Interest revenue		900	999
		900	999
Other Income			
Research and development tax incentive rebate	1(e)	895,417	807,788
		895,417	807,788

3. Expenses Included in the Loss for the Year

	2026 $	2025 $
Research and development expenses:		
Consultant expense	138,574	225,606
Wages and associated on-costs	997,939	952,626
Other	27,429	48,574
	1,163,942	1,226,806

4. Auditors' Remuneration

	2026 $	2025 $
Remuneration of the auditor of the Company: HLB Mann Judd:		
Audit fees	18,224	14,502
	18,224	14,502

5. Cash and Cash Equivalents

	2026 $	2025 $
Cash at bank and in hand	29,214	22,562

The average effective interest rate on short-term bank deposits was 0.0 (2025: 0.0%).

6. Key Management Personnel Compensation

Names and positions held of Company key management personnel in office at any time during the financial year are:

Key Management Personnel

Ashley Zimpel - Executive Director
David Breeze – Executive Director and Company Secretary
Charles Chang - Non-Executive Director

6. Key Management Personnel Compensation (continued)

Remuneration of Key Management Personnel (KMP)

KMP remuneration was as follows.

	2026 $	2025 $
Salary, fees, and allowances	430,000	430,000
Share based payments	2,280,493	1,102,583
	2,710,493	1,532,583

7. Income Tax Expense

a) The prima facie (benefit) on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Accounting loss before tax	(3,914,184)	(2,610,705)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2025: 30%)	(1,174,255)	(783,211)
Effect of concessions: research and development tax incentive rebate	617,529	557,095
Tax benefit of revenue losses and temporary differences not recognised	556,726	226,116
Income tax	-	-
(b) The following deferred tax balances at 30% (2025: 30%) have not been recognised		
Deferred Tax Assets:		
Carry forward revenue losses	2,161,130	2,086,062
Temporary differences	17,865	20,235
Net unrecognised deferred tax assets:	2,178,995	2,106,297

(c) The tax benefits of the unrecognised tax losses will only be obtained if:

(i) the Company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in income tax legislation adversely affect the Company in utilising the benefits.

	2026 $	2025 $

8. Trade and Other Receivables

	2026 $	2025 $
Current		
Trade receivables	679	679
Other receivables	24,849	30,399
Total trade and other receivables	25,528	31,078

9. Inventories

	2026 $	2025 $
Current		
Raw materials at cost	23,600	23,600
Less: writedown	(880)	-
Raw materials at net realisable value	22,720	23,600

10. Property, Plant and Equipment

	2026 $	2025 $
Cost	46,309	42,492
Accumulated depreciation	(34,357)	(30,270)
Closing balance	11,952	12,222

Reconciliation of carrying value

Office equipment:

	2026 $	2025 $
Opening balance	12,222	12,432
Additions	3,816	3,739
Less: depreciation	(4,086)	(3,949)
Closing balance	11,952	12,222

11. Right-of-Use Asset

	2026 $	2025 $
Opening balance	10,199	8,470
Recognised on commencement of lease	45,564	44,197
Recognised on extension of lease	20,399	-
Depreciation	(45,786)	(42,468)
Closing balance	30,376	10,199

12. Trade and Other Payables

	2026 $	2025 $
Current unsecured:		
Trade payables	101,092	161,784
Director fee accruals	899,333	747,333
Sundry payables and accrued expenses	59,397	50,326
	1,059,822	959,443

The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources until such time that the Company has sufficient cash resources.

Trade payables are normally settled within 60 days.

13. Provisions

	2026 $	2025 $
Current		
Annual leave:		
Opening	45,509	9,544
Net accrued	53,002	35,965
Closing	98,511	45,509

14. Lease Liabilities

	2026 $	2025 $
Office premises:		
Current liabilities	30,678	10,455
	30,678	10,455
Opening balance	10,455	10,655
Reversal of opening prepayment	-	(3,570)
Recognised on commencement of lease	45,564	44,197
Recognised on extension of lease	20,399	-
Principal repayments	(45,740)	(40,827)
Closing balance	30,678	10,455

The office lease expired in September 2025 after which the Company rented the premises on a month-to-month basis until a new 12 month lease was executed in April 2026. A maturity analysis of future minimum lease payments is presented below:

Lease payments due 30 June 2026	< 1 year ($)	1-5 years ($)	Total ($)
Lease payments	31,216	-	31,216
Interest	(538)	-	(538)
Net present value	30,678	-	30,678

Lease payments due 30 June 2025	< 1 year ($)	1-5 years ($)	Total ($)
Lease payments	10,507	-	10,507
Interest	(52)	-	(52)
Net present value	10,455	-	10,455

Cash outflows relating to leases for the period ended 30 June 2026 was $47,130 (2025: $42,163) of which $45,740 (2025: $40,827) related to principal payments, and $1,390 (2025: $1,336) to interest.

15. Borrowings

	2026 ($)	2025 ($)
Current		
Borrowings – related party - secured	2,463,825	500,000
Borrowings – related party - unsecured	-	1,268,825
	2,463,825	1,768,825
Non-current		
Borrowings – related party - secured	636,323	-
	636,323	-

Borrowings are secured against the proceeds of the Research and Development tax rebate and incur an interest rate of 8% per annum and an establishment fee of 3% on loan drawdowns.

16. Issued Capital

	2026 $	2025 $
198,553,203 (2025: 198,398,127) fully paid ordinary shares of no par value	9,985,092	9,946,323

a) Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Ordinary Shares	2026 $	2025 $	2026 Number	2025 Number
At the beginning of reporting period	9,946,323	9,812,823	198,398,127	197,641,460
Shares issued for cash	7,969	50,000	31,876	200,000
Shares issued on cashless exercise of options	-	83,500	-	556,667
Shares issued in extinguishment of debt	30,800	-	123,200	-
At reporting date	9,985,092	9,946,323	198,553,203	198,398,127

b) Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The focus of the Company's capital risk management is:

- the current working capital position against the requirements of the Company to meet corporate overheads; and
- to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Company at 30 June 2026 and 30 June 2025 is as follows:

	2026 $	2025 $
Cash and cash equivalents	29,214	22,562
Trade and other receivables	25,528	31,078
Prepayments	77,531	84,488
Inventories	22,720	23,600
Trade and other payables	(1,059,822)	(959,443)
Provisions	(98,511)	(45,509)
Lease liabilities	(30,678)	(10,455)
Borrowings	(2,463,825)	(1,768,825)
Working capital position	(3,497,843)	(2,622,504)

17. Reserves

	2026 ($)	2025 ($)
Share based payments reserve	4,382,965	1,999,305
	4,382,965	1,999,305

Reconciliation of movement

Opening balance	1,999,305	896,722
Share based payments	2,383,660	1,102,583
Closing balance	4,382,965	1,999,305

The option reserve records items recognised as expenses in respect of share options. Refer to Note 23 for further details on share based payments.

18. Cash Flow Information

a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2026 ($)	2025 ($)
Cash and cash equivalents	29,214	22,562

b) *Reconciliation of cash flow from operations with loss after income tax*

Operating loss after income tax	(3,914,184)	(2,610,705)
Non-cash flows:		
Depreciation and amortisation	49,872	46,417
Loan interest and fees	277,919	144,894
Share based payments	2,383,660	1,102,583
Shares issued in extinguishment of debt	30,800	-
Changes in working capital:		
Decrease / (increase) in trade and other receivables	5,550	(4,593)
Decrease / (increase) in prepayments	6,957	(52,000)
Decrease in inventories	880	-
Increase in trade payables and accruals	100,380	233,762
Increase in provisions	53,002	35,965
Net cash used in operating activities	(1,005,164)	(1,103,677)

(c) Changes in financial liabilities arising from financing activities:

Lease liabilities		
Opening balance	10,455	10,655
Reversal of opening prepayment	-	(3,570)
Recognised on commencement of lease	45,564	44,197
Recognised on extension of lease	20,399	-
Net cashflows from financing activities	(45,740)	(40,827)
Closing balance	30,678	10,455

18. Cash Flow Information (continued)

(c) Changes in financial liabilities arising from financing activities:

	2026	2025
	$	$
Borrowings		
Opening balance	1,768,825	531,730
Loans received from related entity	1,930,000	1,900,000
Loans repaid to related entity	(876,597)	(807,798)
Interest and fees	277,920	144,893
Closing balance	3,100,148	1,768,825

19. Financial Instruments

a) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, and accounts receivable and payable. The main purpose of non-derivative financial instruments is to raise finance for Company operations.

i. Financial Risks

The main risks that the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk.

Interest rate risk

Interest rate risk is managed with fixed and variable rate debt as required.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

Credit risk

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

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

Foreign exchange risk

The Company is exposed to foreign exchange risk on product sales proceeds and costs which are quoted in currencies (US$ and Euro) other than the functional currency of the Company, being the A$, and cash balances held in US$. The Company does not hedge this risk, however it continues to monitor these exchange rates so that this currency exposure is maintained at an acceptable level. There is a natural hedge in place to the extent US$ costs are covered by US$ revenues.

19. Financial Instruments (continued)

b) Financial Instruments

i. Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows. The effective average interest rate is calculated on interest bearing assets and liabilities.

2026	Effective Average Interest Rate Receivable/ Payable %	Floating Interest Rate $	Fixed Interest Rate 0 – 1 Years $	Fixed Interest Rate 1 – 5 Years $	Non-Interest Bearing $	Total $
Financial Assets						
Cash and cash equivalents	0.0%	29,214	-	-	-	29,214
Trade and other receivables		-	-	-	25,528	25,528
		29,214	-	-	25,528	54,742
Financial Liabilities						
Trade and sundry payables	16.8%	-	32,193	-	1,027,629	1,059,822
Borrowings	8.0%	-	2,463,825	636,323	-	3,100,148
Lease liabilities	6.0%	-	30,678	-	-	30,678
		-	2,526,696	636,323	1,027,629	4,190,648

2025	Effective Average Interest Rate Receivable/ Payable %	Floating Interest Rate $	Fixed Interest Rate 0 – 1 Years $	Fixed Interest Rate 1 – 5 Years $	Non-Interest Bearing $	Total $
Financial Assets						
Cash and cash equivalents	0.0%	22,562	-	-	-	22,562
Trade and other receivables		-	-	-	31,078	31,078
		22,562	-	-	31,078	53,640
Financial Liabilities						
Trade and sundry payables	7.1%	-	20,380	-	939,063	959,443
Borrowings	8.0%	-	1,768,825	-	-	1,768,825
Lease liabilities	6.0%	-	10,455	-	-	10,455
		-	1,799,660	-	939,063	2,738,723

19. Financial Instruments (continued)

(b) Financial Instruments (continued)

ii. Fair Values

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form. Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2026 ($)		2025 ($)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Trade and other receivables	25,528	25,528	31,078	31,078
	25,528	25,528	31,078	31,078
Financial Liabilities				
Trade and other payables	1,059,822	1,059,822	959,443	959,443
Borrowings	3,100,148	3,100,148	1,768,825	1,768,825
Lease liabilities	30,678	30,678	10,455	10,455
	4,190,648	4,190,648	2,738,723	2,738,723

iii. Foreign Exchange Risk

The A$ / US$ exchange rate was 0.69 at 30 June 2026 and 0.68 for the year ending 30 June 2026. The Company's exposure to foreign exchange risk at balance date was as follows, based on carrying amounts in A$:

30 June 2026	**A$**	**US$**	**Total $**
Cash and cash equivalents	29,213	1	29,214

30 June 2025	**A$**	**US$**	**Total $**
Cash and cash equivalents	22,561	1	22,562

19. Financial Instruments (continued)

(b) Financial Instruments (continued)

iv. Sensitivity Analysis

Interest Rate Risk

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

	Company	
	2026	**2025**
Change in loss		
— Increase in interest rate by 1%	30,971	17,710
— Decrease in interest rate by 0.5%	(15,940)	(8,742)

v. Liquidity risk

Liquidity is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The following are the contractual maturities at the end of the reporting period of financial liabilities.

Contractual cash flows ($)

30 June 2026	Carrying amount	Total	2 mths or less	3 mths to 1 year	➢ 1 year
Trade and other payables	1,059,822	1,059,822	136,048	923,774	-
Lease liabilities	30,678	30,678	7,555	23,123	-
Borrowings	3,100,148	3,100,148	-	2,463,825	636,323
	4,190,648	4,190,648	143,603	3,410,722	636,323

30 June 2025	Carrying amount	Total	2 mths or less	3 mths to 1 year	> 1 year
Trade and other payables	959,443	959,443	196,258	763,185	-
Lease liabilities	10,455	10,455	6,953	3,502	-
Borrowings	1,768,825	1,768,825	-	1,768,825	-
	2,738,723	2,738,723	203,211	2,535,512	-

20. Capital Commitments

There were no capital commitments at 30 June 2026 or 30 June 2025.

21. Related Party Transactions

(a) Key Management Personnel Remuneration

Details of key management personnel remuneration and retirement benefits are disclosed in Note 6 to the financial statements. Trade and other payables at 30 June 2026 include $899,333 in accrued directors' fees (2025: $747,333).

Director Ashley Zimpel was issued 7,500,000 share options during the period as part of remuneration with an exercise price of $0.25 each and expiry 5 December 2030 for a share based payment expense of $1,179,565.

Director David Breeze was issued 3,500,000 share options during the period as part of remuneration with an exercise price of $0.25 each and expiry 5 December 2030 for a share based payment expense of $550,464.

Director Charles Chang was issued 3,500,000 share options during the period as part of remuneration with an exercise price of $0.25 each and expiry 5 December 2030 for a share based payment expense of $550,464.

(b) Related entities

During the year the Company incurred $120,000 (2025: $120,000) in management and service fees to Grandbridge Limited, a company of which Mr Breeze is Managing Director.

A family member of director Mr Zimpel is employed by the Company. His earnings (including superannuation) for the period were $109,200 (2025: $94,704).

The Company borrowed $1,930,000 (2025: $1,900,000) and repaid $876,597 (2025: $807,798) from related party BPH Energy Limited and incurred related loan interest and establishment fees of $277,919 (2025: $144,894).

22. Share Options

All options granted confer a right of one ordinary share for every option held. The number of share options on issue at period end was as follows:

Total number	Grant date	Exercise price	Fair value per option at grant date	Expiry date
7,000,000	9/5/2025	$0.25	$0.1575	9/5/2030
14,750,000	5/12/2025	$0.25	$0.1573	5/12/2030
500,000	18/5/2026	$0.25	$0.1277	31/5/2029
22,250,000				

The movement in share options on issue during the year is as follows:

	Number of options	Weighted average exercise price per option
Outstanding at the beginning of the year	14,750,000	0.25
Issued	15,250,000	0.25
Expired unexercised	(7,750,000)	(0.25)
Outstanding at year-end	22,250,000	0.25
Exercisable at year-end	22,250,000	0.25

23. Share Based Payments

The fair value of unlisted options granted is estimated using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the valuation model used:

Grant / settlement date	5 December 2025	18 May 2026
Number of options	14,750,000	500,000
Share price at grant / settlement date	$0.25	$0.25
Exercise price	$0.25	$0.25
Expected volatility	75%	75%
Expected life	5 years	3 years
Expected dividends	Nil	Nil
Risk-free interest rate	3.1%	3.1%
Fair value at grant date	$2,319,812	$63,848

Included in the above 14,500,000 share options with an exercise price of $0.25 each and expiry 9 May 2030 were issued to directors during the period as part of remuneration for a share based payment expense of $2,280,493.

The share based payments can be summarised as follows:

	30 June 2026 ($)	**30 June 2025 ($)**
Share based payments – profit or loss		
Director and consultant incentive options	2,383,660	1,102,583
	2,383,660	1,102,583
Share based payments – share based payments reserve		
Director and consultant incentive options	2,383,660	1,102,583
	2,383,660	1,102,583

24. Subsequent Events

There have not been any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

25. Contingent Liabilities

There were no contingent liabilities at 30 June 2026 or 30 June 2025.

As the Company is not required by Australian Accounting Standards to prepare consolidated financial statements, it is not required to present a consolidated entity disclosure statement.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 33, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2026 and of the performance for the year ended on that date of the Company;

2. the Financial Statements and Notes comply with International Financial Reporting Standards as disclosed in Note 1;

3. The Consolidated Entity Disclosure Statement is true and correct.

4. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the Corporations Act 2001.

Director

……………………………………………….

David Breeze

Director

Dated this 23rd September 2026

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT

To the Members of Cortical Dynamics Limited.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cortical Dynamics Limited ("the Company") which comprises the statement of financial position as at 30 June 2026, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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.

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2026 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company'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:

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

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

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

(c) 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

(d) the consolidated entity disclosure statement that is true and correct and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

David Healy

D B Healy
Partner

Perth, Western Australia
23 September 2026