

Neuren Pharmaceuticals Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Neuren Pharmaceuticals Limited
ARBN:	111 496 130
Reporting period:	For the year ended 31 December 2024
Previous period:	For the year ended 31 December 2023

2. Results for announcement to the market

	2024	2023	Change	Change
	\$'000	\$'000	\$'000	%
Revenues from ordinary activities	227,846	240,063	(12,217)	(5%)
Profit from ordinary activities after tax attributable to the owners of Neuren Pharmaceuticals Limited	142,043	157,081	(15,038)	(10%)
Profit for the year attributable to the owners of Neuren Pharmaceuticals Limited	142,043	157,081	(15,038)	(10%)
Total comprehensive income for the year attributable to the owners of Neuren Pharmaceuticals Limited	166,241	157,071	9,170	6%
			2024	2023
			Cents	Cents
Basic earnings per share			111.17	123.62
Diluted earnings per share			108.61	120.12

Comments

Total comprehensive income for shareholders was A\$166.2 million, comprising A\$142.0 million profit after tax and A\$24.2 million foreign currency translation gain.

In accordance with applicable Accounting Standards, effective 1 January 2024 the Company changed its functional currency from Australian dollar to US dollars, however the Group retained Australian dollars as its reporting currency. In a year in which the A\$/US\$ exchange rate fell from 0.68 at 31 December 2023 to 0.62 at 31 December 2024, the change in functional currency significantly impacted the Financial Statements compared with 2023. Profit before tax for 2024 includes A\$7.2 million net foreign currency loss, mainly due to the translation of cash and short-term investments held in Australian dollars to the US dollars functional currency. However, the translation from the US dollars functional currency to the Australian dollars presentation currency resulted in a gain of A\$24.2 million, which is included in Total Comprehensive Income and increased shareholders' equity via the currency translation reserve. The gain in Comprehensive Income is mainly due to the translation to Australian dollars of the cash and short-term investments held in US dollars.

Total income of A\$227.8 million in 2024 includes A\$213.2 earned under the licence agreement with Acadia Pharmaceuticals. This comprised quarterly royalty income of A\$56.2 million (2023: A\$26.8 million), milestone revenue of A\$80.5 million (2023: A\$59.4 million) and A\$76.5 million as Neuren's one third share of the net proceeds of the Rare Disease Priority Review Voucher sold by Acadia. The milestone revenue for 2024 was earned on achievement of the first in a series of four thresholds of total annual net sales of DAYBUE™ (trofinetide), due to net sales for the year exceeding US\$250 million, whilst the milestone payment for 2023 was for the first commercial sale of DAYBUE. Revenue for 2023 also included an upfront of A\$145.7 million under the expanded global licence agreement with Acadia.

Other income includes finance income of A\$11.0 million (2023: A\$5.7 million) and a gain of A\$3.6 million on the fair value of outstanding forward contracts to sell Australian dollars and buy US dollars (2023: A\$2.2 million loss).

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Research and development costs increased by A\$6.2 million, due to higher expenditure relating to the NNZ-2591 Phase 2 clinical trials and the foundational work to prepare for Phase 3 development of NNZ-2591 across multiple indications. Corporate and administrative costs decreased by A\$1.2 million, mainly due to bonuses paid in 2023 following the marketing authorisation of DAYBUE by the US Food and Drug Administration. Income tax expense for 2024 was A\$40.9 million (2023: A\$48.1 million), reduced by the recognition of previously unrecognised New Zealand tax losses.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>273.52</u>	<u>160.89</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends and other shareholder distributions

Current period

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

During the year ended 31 December 2024, Neuren completed on-market buy-backs totalling \$10.4 million commencing on 2 December 2024. Neuren purchased 803,052 ordinary shares on issue at the average price of \$12.98.

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Accounting standards

The Financial Statements have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) which comply with International Financial Reporting Standards, the requirements of the Financial Markets Conduct Act 2013, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities that fall into Tier 1 as determined by the New Zealand Accounting Standards Board.

10. Commentary on the results

Trofinetide

In April 2023, Neuren's worldwide partner for trofinetide, Acadia Pharmaceuticals (NASDAQ: ACAD) launched DAYBUE™ (trofinetide) in the United States as the first approved treatment for Rett syndrome.

Net sales for the year ended 31 December 2024 were US\$348.4 million, up from US\$177 million in 2023, delivering royalties of A\$56.2 million to Neuren, up from A\$26.8 million in 2023. Neuren also earned A\$80.5 million in 2024 from the first sales milestone, due for the first calendar year in which net sales exceed US\$250 million, as well as A\$76.5 million from Neuren's one third of the net proceeds received by Acadia from the sale of the Rare Pediatric Disease Priority Review Voucher (PRV) in December 2024.

Acadia has provided guidance for full-year net sales in 2025 of US\$380-405 million. Assuming this guidance is met and an exchange rate of 0.65, Neuren anticipates earning royalties of A\$62-67 million.

In October 2024, Health Canada approved Acadia's New Drug Submission for DAYBUE and Acadia anticipates first sales in Q3 2025. Canada net sales will be added to US net sales to give total net sales for calculation of Neuren's North America royalties and sales milestone payments. In Canada, the prevalence of Rett Syndrome is estimated to be 600 to 900 patients.

In January 2025, Acadia submitted a Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for trofinetide for the treatment of Rett syndrome in adults and pediatric patients two years of age and older. Acadia anticipates potential approval in Q1 2026. If granted marketing authorization, trofinetide will be the first and only approved therapy for Rett syndrome in the European Union. In the meantime, Acadia anticipates initiating Managed Access Programs in Europe in Q2 2025.

For Japan, Acadia has had productive discussions with the regulatory agency (PMDA) and plans to initiate a small clinical study by Q3 2025 to support a marketing application.

NNZ-2591

Neuren is developing a second drug NNZ-2591 for multiple serious neurodevelopmental disorders with different genetic origins that emerge in early childhood and have no or limited approved treatment options. Recognising the urgent unmet need, all programs have been granted "orphan drug" designation in the United States. Orphan drug designation provides incentives to encourage development of therapies for rare and serious diseases.

In May 2024, Neuren announced positive top-line results from the Phase 2 clinical trial of NNZ-2591 in children with Pitt Hopkins syndrome (PTHS). After treatment for 13 weeks, significant improvement was observed by both clinicians and caregivers in clinically important aspects of PTHS, including communication, social interaction, cognition and motor abilities. Clinician and caregiver global efficacy measures showed a level of improvement considered clinically meaningful. The PTHS Clinical Global Impression of Improvement (CGI-I) mean score was 2.6, with 9 out of 11 children showing improvement assessed by clinicians. The PTHS Caregiver Overall Impression of Change (CIC) mean score was 3.0, with 8 out of 11 children showing improvement assessed by caregivers. NNZ-2591 was well tolerated and demonstrated a good safety profile. Neuren recently announced that the US Food and Drug Administration (FDA) has granted Fast Track designation for NNZ-2591 for the treatment of PTHS. Fast Track is designed to facilitate the development and expedite the review of drugs to treat serious conditions.

In August 2024, Neuren announced positive top-line results from the Phase 2 clinical trial of NNZ-2591 in children with Angelman syndrome (AS). NNZ-2591 was safe and well tolerated as an oral liquid dose and improvements were seen in clinically important aspects of AS. Clinician and caregiver global efficacy measures showed a level of improvement from baseline that was statistically significant and considered clinically meaningful. The AS Clinical Global Impression of Improvement (CGI-I) mean score was 3.0, with 11 out of 13 children showing improvement assessed by clinicians. The AS Caregiver Overall Impression of Change (CIC) mean score was 3.2, with 8 out of 12 children showing improvement assessed by caregivers. In the 3-12 years age group all 8 children showed improvement on both measures, with a mean CGI-I score of 2.8 and a mean CIC score of 2.6.

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The positive results of NNZ-2591 in PTHS and AS followed the announcement of positive top-line results from the Phase 2 clinical trial of NNZ-2591 in children with Phelan McDermid syndrome (PMS). A Type C Meeting with the US Food and Drug Administration (FDA) is scheduled in early April 2025, to discuss the primary efficacy endpoints in Neuren's planned pivotal Phase 3 clinical trial program for PMS. Neuren previously announced the positive outcomes from a Type B End of Phase 2 Meeting, at which alignment with FDA was reached on the other key features of the Phase 3 clinical trial program. A Type C Meeting was considered by FDA as the best forum for completion of the remaining efficacy endpoints discussion. In parallel, Neuren is continuing preparations for the first ever Phase 3 trial in Phelan-McDermid syndrome, planning for mid-2025 commencement.

Other potential indications for NNZ-2591 are under evaluation and Neuren has an open IND with the FDA for NNZ-2591 in Prader-Willi syndrome.

Financial commentary

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The basic earnings per share for the year to 31 December 2024 was A\$1.112 (2023: A\$1.236) based on a weighted average number of shares outstanding of approximately 127.8 million (2023: 127.1 million).

Total cash and short-term investments at 31 December 2024 were A\$222.2 million (2023: A\$228.5 million). Net cash used in operating activities was A\$11.3 million compared with net cash generated of A\$184.9 million for the year ended 31 December 2023. This is mainly due to the first sales milestone and sale of priority review voucher being earned in Q4 2024 and received in Q1 2025. Neuren made tax payments of A\$37.2 million in 2024, which included A\$34 million for 2023 tax, compared with nil payments made in 2023.

Net cash used in financing activities for 31 December was A\$8.8 million, comprising A\$10.4 million of payments for the share buy-back, offset by A\$1.7 million of proceeds received on conversion of loan funded shares and exercise of options.

11. Auditors review

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

12. Attachments

Details of attachments (if any):

The Financial Report of Neuren Pharmaceuticals Limited for the year ended 31 December 2024 is attached.

13. Signed



Signed _____

Date: 27 February 2025

Patrick Davies
Non-Executive Chair
Melbourne

Neuren Pharmaceuticals Limited

ARBN 111 496 130

**Consolidated Financial Report for the Year ended 31 December
2024**

Neuren Pharmaceuticals Limited

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31 December 2024

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**Neuren Pharmaceuticals Limited
Directors' Responsibilities Statement
31 December 2024**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Neuren 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 31 December 2024.

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the company as at 31 December 2024 and its financial performance for the year ended on that date.

The directors consider that the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the directors



Patrick Davies
Non-Executive Chair



Joe Basile
Non-Executive Director

27 February 2025
Melbourne

Neuren Pharmaceuticals Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2024

	Note	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Revenue from contracts with customers	6	213,243	231,925
Finance income		11,014	5,687
Gain on financial derivatives measured at fair value through profit and loss		3,587	-
Net foreign currency gain		-	2,434
Other income		2	17
Total income		<u>227,846</u>	<u>240,063</u>
Expenses			
Research and development costs		(32,970)	(26,751)
Corporate and administrative costs		(4,701)	(5,946)
Loss on financial derivatives measured at fair value through profit and loss		-	(2,226)
Net foreign currency loss		(7,235)	-
Total expenses		<u>(44,906)</u>	<u>(34,923)</u>
Profit before income tax expense		182,940	205,140
Income tax expense	8	<u>(40,897)</u>	<u>(48,059)</u>
Profit after income tax expense for the year attributable to the owners of Neuren Pharmaceuticals Limited		142,043	157,081
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>24,198</u>	<u>(10)</u>
Other comprehensive income for the year, net of tax		<u>24,198</u>	<u>(10)</u>
Total comprehensive income for the year attributable to the owners of Neuren Pharmaceuticals Limited		<u>166,241</u>	<u>157,071</u>
		Cents	Cents
Basic earnings per share	9	111.17	123.62
Diluted earnings per share	9	108.61	120.12

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

Neuren Pharmaceuticals Limited
Consolidated statement of financial position
As at 31 December 2024

	Note	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	3,153	17,094
Short term investments	11	219,089	211,445
Trade and other receivables	12	157,967	5,817
Contract assets	13	17,756	12,800
Derivative financial instruments	15	1,362	-
Total current assets		<u>399,327</u>	<u>247,156</u>
Non-current assets			
Plant and equipment		31	43
Deferred tax asset	8	10,348	771
Total non-current assets		<u>10,379</u>	<u>814</u>
Total assets		<u>409,706</u>	<u>247,970</u>
Liabilities			
Current liabilities			
Trade and other payables	14	2,895	3,418
Derivative financial instruments	15	-	2,226
Income tax payable	8	42,866	37,119
Total current liabilities		<u>45,761</u>	<u>42,763</u>
Non-current liabilities			
Employee benefits	14	41	-
Total non-current liabilities		<u>41</u>	<u>-</u>
Total liabilities		<u>45,802</u>	<u>42,763</u>
Net assets		<u>363,904</u>	<u>205,207</u>
Equity			
Share capital	16	165,270	173,127
Share option reserve		4,695	4,382
Currency translation reserve		13,508	(10,690)
Retained earnings		180,431	38,388
Total equity		<u>363,904</u>	<u>205,207</u>

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

Neuren Pharmaceuticals Limited
Consolidated statement of changes in equity
For the year ended 31 December 2024

	Share capital \$'000	Share option reserve \$'000	Currency translation reserve \$'000	(Accumulated deficit)/ retained earnings \$'000	Total equity \$'000
Balance at 1 January 2023	167,740	3,222	(10,680)	(118,693)	41,589
Profit after income tax expense for the year	-	-	-	157,081	157,081
Other comprehensive income for the year, net of tax	-	-	(10)	-	(10)
Total comprehensive income for the year	-	-	(10)	157,081	157,071
<i>Transactions with owners in their capacity as owners:</i>					
Share issue costs	(18)	-	-	-	(18)
Loan funded shares converted	1,104	-	-	-	1,104
Transfer on conversion of loan funded shares	420	(420)	-	-	-
Share options exercised	2,533	-	-	-	2,533
Transfer on exercise of options	1,348	(1,348)	-	-	-
Share based payments	-	2,928	-	-	2,928
Balance at 31 December 2023	173,127	4,382	(10,690)	38,388	205,207
	Share capital \$'000	Share option reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2024	173,127	4,382	(10,690)	38,388	205,207
Profit after income tax expense for the year	-	-	-	142,043	142,043
Other comprehensive income for the year, net of tax	-	-	24,198	-	24,198
Total comprehensive income for the year	-	-	24,198	142,043	166,241
<i>Transactions with owners in their capacity as owners:</i>					
Share issue costs	(9)	-	-	-	(9)
Loan funded shares converted	277	-	-	-	277
Transfer on conversion of loan funded shares	105	(105)	-	-	-
Share options exercised	1,383	-	-	-	1,383
Transfer on exercise of options	813	(813)	-	-	-
Share-based payments	-	1,231	-	-	1,231
On-market share buy-back	(10,426)	-	-	-	(10,426)
Balance at 31 December 2024	165,270	4,695	13,508	180,431	363,904

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

Neuren Pharmaceuticals Limited
Consolidated statement of cash flows
For the year ended 31 December 2024

	Note	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Cash flows from operating activities			
Receipts from licence agreement		51,421	221,004
Income tax paid		(37,221)	-
Withholding tax paid		(2,517)	(11,840)
Receipts from Australian R&D Tax Incentive		-	882
Interest received		11,297	4,360
GST refunded		353	272
Payments for employees and directors		(4,145)	(5,161)
Payments to other suppliers		(30,458)	(24,592)
Net cash (used in)/from operating activities	5	<u>(11,270)</u>	<u>184,925</u>
Cash flows from investing activities			
Purchase of plant and equipment		(10)	(40)
Less cash transferred from/(to) short-term investments (i)		4,144	(211,445)
Net cash from/(used in) investing activities		<u>4,134</u>	<u>(211,485)</u>
Cash flows from financing activities			
Proceeds from issue of shares	16	1,660	3,637
Payment of share issue expenses	16	(9)	(18)
Payments for share buy-back	16	(10,426)	-
Net cash (used in)/from financing activities		<u>(8,775)</u>	<u>3,619</u>
Net decrease in cash and cash equivalents		(15,911)	(22,941)
Cash and cash equivalents at the beginning of the financial year		17,094	40,180
Effects of exchange rate changes on cash and cash equivalents		1,970	(145)
Cash and cash equivalents at the end of the financial year	10	<u><u>3,153</u></u>	<u><u>17,094</u></u>

(i) Following the receipt of the first commercial sale milestone payment from Acadia, the Company is holding more funds than are required to meet currently forecast short-term cash commitments. As a result, the Company has reclassified cash held in short-term deposits from Cash and Cash Equivalents to Short-term Investments.

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

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 1. Nature of the business

Neuren Pharmaceuticals Limited (“Neuren” or the “Company”), and its subsidiaries (collectively the “Group”) is a publicly listed biopharmaceutical company developing drugs for neurological disorders.

The Company is a limited liability company incorporated in New Zealand. The address of its registered office in New Zealand is at the offices of Lowndes Jordan, Level 15 HSBC Tower, 188 Quay Street, Auckland 1141. Neuren operates in Australia and its ordinary shares are listed on the Australian Securities Exchange (ASX code: NEU).

These consolidated financial statements were approved for issue by the Board of Directors on 27 February 2025.

Note 2. Material accounting policy information

These general-purpose consolidated financial statements of the Group are for the year ended 31 December 2024 and have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board which comply with International Financial Reporting Standards, the requirements of the Financial Markets Conduct Act 2013, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities that fall into Tier 1 as determined by the New Zealand External Reporting Board.

Basis of preparation

Entities Reporting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2024 and the results of all subsidiaries for the year then ended. Neuren Pharmaceuticals Limited and its subsidiaries, which are designated as profit-oriented entities for financial reporting purposes, together are referred to in these financial statements as the Group.

Statutory Base

Neuren is registered under the New Zealand Companies Act 1993. Neuren is also registered as a foreign company under the Australian Corporations Act 2001.

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention as modified by certain policies below. Amounts are expressed in Australian Dollars and are rounded to the nearest thousand, except for earnings per share.

Critical accounting estimates

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

Going concern basis

The directors monitor the Group's cash position and initiatives to ensure that adequate funding continues to be available for the Group to meet its business objectives. The Group recorded a profit after tax of \$142.0 million for the year ending 31 December 2024 and had negative operating cash flows of \$11.3 million for the year ended 31 December 2024. The Group had cash of \$3.2 million and short-term investments (term deposits) of \$219.1 million and \$158.0 million of trade and other receivables at 31 December 2024.

It is the considered view of the Directors that the Group will have access to adequate resources to meet its ongoing obligations for at least a period of 12 months from the date of signing these financial statements. On this basis, the Directors have assessed it is appropriate to adopt the going concern basis in preparing its consolidated financial statements. The consolidated financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Note 2. Material accounting policy information (continued)

Changes in accounting policies

There are no material changes in accounting policies for the year ended 31 December 2024.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2024. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

IFRS 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 consolidated entity will adopt this standard from 1 January 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.

Comparatives

Where deemed necessary, the comparatives have been reclassified to achieve consistency with the current financial year. This includes prior year royalty receivables of \$12.8 million which have been reclassified as contract assets.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured 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 over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operation (the functional currency). On 1 January 2024, the Group changed its functional currency from Australian dollars to US dollars. At 31 December 2024, the presentation currency of the Group is Australian dollars and the functional currency is US dollars.

Foreign currency transactions

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

Note 2. Material accounting policy information (continued)

Foreign operations/translation to presentation currency

The results and financial position of operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated using the closing rate at the reporting date
- revenues and expenses are translated using the average exchange rates, which approximate the rates at the dates of the transactions, for the period
- all resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to a separate component of equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue

NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for licensing rights and intellectual property access to a customer. The five-step process is as follows:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Licence revenue

Licence revenues in connection with licensing of the Group's intellectual property to customers are recognised as a right to use the entity's intellectual property as it exists at the point in time at which the licence is granted. This is because the contracts for the licence of intellectual property are distinct and do not require, nor does the customer reasonably expect, that the Group will undertake further activities that significantly affect the intellectual property to which the customer has rights.

Although the Group is entitled to sales-based royalties from sales of goods and services to third parties using the intellectual property transferred, these royalty arrangements do not of themselves indicate that the customer would reasonably expect the Group to undertake such activities, and no such activities are undertaken or contracted in practice. Accordingly, the promise to provide rights to the Group's intellectual property is accounted for as a performance obligation satisfied at a point in time.

The following consideration is received in exchange for licences of intellectual property:

(i) Up-front payments - These are fixed amounts and are recognised at the point in time when the Group transfers the intellectual property to the customer.

(ii) Milestone payments – This is variable consideration that is contingent on the customer reaching certain clinical, regulatory or commercial targets in relation to the intellectual property licenced. Variable consideration is estimated using the most likely amount method, variable consideration is constrained such that amounts are only recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration (that is, the customer meeting the conditions) is subsequently resolved. Milestone payments that are not in control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received.

Note 2. Material accounting policy information (continued)

(iii) Sales-based royalties – Licenses of intellectual property include royalties, which are variable consideration that are based on the sale of products that are produced using the intellectual property. The specific exception to the general requirements of estimating variable consideration for sales or usage-based royalties promised in a licence of intellectual property is applied. The exception requires such revenue to be recognised at the later of when (a) subsequent sales or usage occurs and (b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied (or partially satisfied).

(iv) Rare Disease priority review voucher – This is variable consideration, that is contingent on the customer selling or using a Rare Disease priority review voucher from the Food and Drug Administration (FDA) on approval of a New Drug Application (NDA). Variable consideration is estimated using the most likely amount method, variable consideration is constrained such that amounts are only recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration (that is, the customer meeting the conditions) is subsequently resolved. Sale of the Rare Disease priority review voucher is not in control of the Group, and is not considered highly probable of being achieved until it is sold.

Interest income

Interest income is recognised as it is earned using the effective interest method.

Research and development

Research costs include direct and directly attributable overhead expenses for drug discovery, research and pre-clinical and clinical trials. Research costs are expensed as incurred.

Income tax

The income tax expense or benefit for the period is the tax payable on the period's taxable income or loss using tax rates enacted or substantively enacted at the reporting date, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are realised or liabilities are settled, based on those tax rates which are enacted or substantively enacted at the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Goods and services tax (GST)

The financial statements have been prepared so that all components are presented exclusive of GST. All items in the statement of financial position are presented net of GST, with the exception of receivables and payables, which include GST invoiced.

Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits held with established financial institutions and highly liquid investments, which have maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are held to meet currently forecast short-term cash commitments.

Short-term investments

Short-term investments comprise short-term deposits, which have maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. When the Group is holding more short-term deposits than are required to meet currently forecast short-term cash commitments, these are held as short-term investments.

Note 2. Material accounting policy information (continued)

Trade and other receivables

The Group 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 Group assesses trade receivables on an individual basis, and uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Contract assets

Contract assets are recognised when the consolidated entity estimates the royalty income based on the quarterly sale of products that are produced using intellectual property, and the consolidated entity is yet to establish an unconditional right to consideration. Amounts are transferred to Trade Receivables when the final amount has been determined and invoiced to the customer. Contract assets are treated as financial assets for impairment purposes.

Employee benefits

Wages and salaries, annual leave, long service leave and superannuation

Liabilities for wages and salaries, bonuses, annual leave, long service leave and superannuation expected to be settled within 12 months of the reporting date are recognised in accrued liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when the obligation to pay them arises.

Share-based payments

Neuren operates a loan funded share plan and share option plan. Both plans are accounted for as share options and the loan is not recognised as an asset. The fair value of the services received in exchange for the grant of the options or shares is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares at grant date. At each reporting date, except for options that are subject to a market condition for vesting, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of these revisions, if any, in the Statement of Profit or loss and other comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group 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 Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Note 2. Material accounting policy information (continued)

A financial liability is derecognised when it is extinguished, i.e. the obligation is discharged, cancelled or expired.

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 NZ IFRS 15 'Revenue from contracts with customers', all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

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)
- fair value through other comprehensive income (FVOCI).

In the periods presented the company does not have any financial assets categorised as FVOCI.

The classification is determined by both:

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

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

Subsequent measurement of financial assets

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 and 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 Group's cash and cash equivalents, short-term investments and trade receivables fall into this category of financial instruments.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables and derivative financial liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, trade and other payables are measured at amortised cost using the effective interest method.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains or losses on derivative financial instruments are recognised in profit or loss.

Note 3. Critical accounting judgements, estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as discussed below.

The Group has assessed that all research and development expenditure to date does not meet the requirements for capitalisation as an intangible asset because it is not yet probable that the expected future economic benefits that are attributable to the asset will flow. The Group's current assessment is that future expenditure will not meet that requirement prior to the approval of a New Drug Application by the US Food and Drug Administration.

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

The Group is subject to income taxes in Australia because it is domiciled in that country. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The Group measures the fair value of loan funded shares and options to acquire ordinary shares with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The estimated fair value of the shares is determined using the Black-Scholes valuation model, taking into account the terms and conditions upon which the instruments were granted. Some judgements are made on the inputs into the valuation model, including the expected life and volatility.

The Group accrues for royalty income with reference to the sales published by its partner, Acadia Pharmaceuticals, Inc.

Note 4. Operating segments

Identification of reportable operating segments

The segment reporting reflects the way information is reported internally to the chief operating decision maker. The Board of the Group has been identified as the chief operating decision maker. The Board assesses the financial performance and position of the group and makes strategic decisions. The Group has two reportable operating segments, commercial products and research and development.

Reportable segment Principal activities

Commercial products Milestone and royalty revenue from licence of intellectual property.
Research & development Development of pharmaceutical products for the treatment of neurodevelopmental disorders.

	Commercial products		Research & development		Corporate		Total	
	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23	Dec-24	Dec-23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	213,243	231,925	-	-	-	-	213,243	231,925
Research and development costs	-	(66)	(32,970)	(26,685)	-	-	(32,970)	(26,751)
Finance income	-	-	-	-	11,014	5,687	11,014	5,687
Other income	-	-	-	-	2	17	2	17
Other expenses	-	-	-	-	(4,701)	(5,946)	(4,701)	(5,946)
Net foreign currency (loss)/gain	-	-	-	-	(7,235)	2,434	(7,235)	2,434
Gain/(loss) on financial derivatives	-	-	-	-	3,587	(2,226)	3,587	(2,226)
Profit before income tax	213,243	231,859	(32,970)	(26,685)	2,667	(34)	182,940	205,140
Income tax expense	-	-	-	-	(40,897)	(48,059)	(40,897)	(48,059)
Profit after income tax	213,243	231,859	(32,970)	(26,685)	(38,230)	(48,093)	142,043	157,081
Other comprehensive income	-	-	-	-	24,198	(10)	24,198	(10)
Total comprehensive income	213,243	231,859	(32,970)	(26,685)	(14,032)	(48,103)	166,241	157,071

All revenue from licences of intellectual property is from Acadia Pharmaceuticals Inc. (Acadia) and is from the United States.

Assets and liabilities are not allocated to segments and are therefore not reported.

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Note 5. Reconciliation of profit after income tax to net cash (used in)/from operating activities

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Profit after income tax expense for the year	142,043	157,081
Adjustments for:		
Depreciation of plant and equipment	22	17
Share based payments expense	1,231	2,928
Foreign exchange loss	7,235	136
Unrealised (gain)/loss on financial assets	(3,587)	1,526
Unrealised foreign exchange gain in other comprehensive income	3,201	-
Change in working capital:		
Increase in trade and other receivables	(152,150)	(15,551)
Increase in contract assets	(4,956)	-
(Decrease)/increase current and deferred taxes	(3,830)	36,348
(Decrease)/increase in trade and other payables	(479)	2,440
Net cash (used in)/from operating activities	<u>(11,270)</u>	<u>184,925</u>

Note 6. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The Group derives revenue from license agreements with customers at a point in time under the following major business activities:

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
<i>Revenue from contracts with customers</i>		
Licenses of intellectual property - royalty income	56,223	26,780
Licenses of intellectual property - up-front payments	-	145,711
Licenses of intellectual property - milestone payments	80,502	59,434
Licenses of intellectual property - Rare Disease priority review voucher	76,518	-
Revenue from contracts with customers	<u>213,243</u>	<u>231,925</u>

All revenue from licences of intellectual property is from the United States.

Neuren is eligible to receive quarterly royalty income, calculated as a percentage of net sales of DAYBUE in North America and is recognised in the period that Acadia makes the sales of DAYBUE. Sales of DAYBUE commenced in April 2023. The royalty rate for ≤US\$250 million of annual net sales is 10%. The royalty rate then increases to 12% for annual net sales greater than US\$250 million but less than or equal to US\$500 million.

Neuren is also eligible to receive milestone payments of up to US\$350 million on achievement of a series of four thresholds of total annual net sales. For the year ended 31 December 2024, Neuren earned the first sales milestone payment of US\$50 million, as net sales for the year exceeded US\$250 million.

Under the license agreement with Acadia, Neuren is eligible to receive variable consideration that is contingent on Acadia selling or using the Rare Disease priority review voucher. During the year ended 31 December 2024, Acadia sold the voucher for net proceeds of US\$146.5 million and therefore Neuren has recognised the net variable consideration of US\$48.8 million (A\$76.5 million).

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Note 7. Expenses

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Profit before income tax includes the following specific expenses:		
Remuneration of auditors		
Audit of the financial statements (Grant Thornton New Zealand Audit Limited)	77	76
Review of financial statements (Grant Thornton New Zealand Audit Limited)	38	23
	<u>115</u>	<u>99</u>
Employee benefits expense		
Short-term benefits	2,236	2,970
Post-employment benefits	222	212
Other employee benefits	5	39
Share based payments	892	1,388
	<u>3,355</u>	<u>4,609</u>
Directors' compensation		
Short-term benefits	1,066	1,444
Post-employment benefits	47	43
Share based payments	18	289
	<u>1,131</u>	<u>1,776</u>
Other		
Consultants - share based payments	321	1,251

Neuren Pharmaceuticals Limited
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Note 8. Income tax

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
<i>Income tax expense</i>		
Current tax	52,523	48,102
Deferred tax	(9,211)	(771)
(Over)/under provision in prior years	(3,413)	-
Adjustment ¹	998	728
	<u>40,897</u>	<u>48,059</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(9,211)	(771)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	182,940	205,140
Tax at the statutory tax rate of 30%	54,882	61,542
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development incentives	(289)	(324)
Non-deductible share option expenses	369	879
Other non-deductible expenses/(non-assessable income)	2,210	99
Adjustment ¹	998	728
	58,170	62,924
(Over)/under provision in prior years	(3,413)	-
Utilisation of previously unrecognised tax losses	(3,233)	(13,905)
Recognition of deferred tax asset for carried forward tax losses	(10,428)	-
Recognition of deferred tax asset for deductible temporary differences	-	(689)
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(138)
Difference in overseas tax rates	(199)	(133)
	<u>40,897</u>	<u>48,059</u>

\$17.0m of New Zealand gross tax losses were recognised as credits to the income tax expense in the current financial year, being \$6.6m to offset taxable income from the current and previous financial years, and \$10.4m recorded as a deferred tax asset.

¹ For the year ended 31 December 2024, an adjustment to tax expense was made for foreign income tax offsets unable to be used. For the year ended 31 December 2023, the adjustment to tax expense relates to the utilisation of a foreign income tax offset rather than previously unrecognised tax losses in relation to the prior year income tax return.

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current tax liabilities</i>		
Opening balance	37,119	-
Income tax	52,523	48,102
Withholding tax credits	(6,468)	(10,983)
Over provision in prior years	(3,045)	-
Tax paid during the year	(37,221)	-
Other	(42)	-
	<u>42,866</u>	<u>37,119</u>
Closing balance		

Neuren Pharmaceuticals Limited
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Note 8. Income tax (continued)

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Patents	66	197
Capital raising costs	73	199
Employee benefits	163	139
Unrealised foreign exchange	(408)	668
Interest receivable	-	(459)
Tax losses	10,428	-
Other temporary differences	26	27
	<u>10,348</u>	<u>771</u>
Deferred tax asset	<u>10,348</u>	<u>771</u>
Movements:		
Opening balance	771	-
Credited to profit or loss	9,211	771
Over provision in prior years	366	-
	<u>10,348</u>	<u>771</u>
	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
Gross tax losses for which no deferred tax asset has been recognised	(a) -	<u>62,475</u>

(a) At 31 December 2023, there were \$62.5 million of New Zealand gross tax losses for which no deferred tax asset was recognised.

At 31 December 2024, all of the available losses were utilised or recognised on the balance sheet, relating to the historical and future Trofinetide royalty and milestone payments. As a result, \$17.0m was recorded as credits to the income tax expense in the current financial year:

- \$23.7 million of New Zealand gross tax losses were utilised during the current financial year in relation to the 31 December 2023 and 31 December 2024 tax years.

- \$37.2 million of New Zealand gross tax losses carried forward, for which a Deferred Tax Asset (DTA) of \$10.4 million is recognised on the balance sheet.

There are no New Zealand imputation credits available for use as at 31 December 2024 (2023: nil).

Australian Franking credits

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	28,021	(8,962)
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	<u>42,752</u>	<u>37,119</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>70,773</u>	<u>28,157</u>

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Note 9. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to the equity holders of the company by the weighted average number of ordinary shares on issue during the period excluding shares held as treasury stock.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Profit after income tax attributable to the owners of Neuren Pharmaceuticals Limited	<u>142,043</u>	<u>157,081</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	127,769,432	127,069,512
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>3,010,190</u>	<u>3,698,975</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>130,779,622</u>	<u>130,768,487</u>
	Cents	Cents
Basic earnings per share	111.17	123.62
Diluted earnings per share	108.61	120.12

Note 10. Cash and cash equivalents

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current assets</i>		
Cash at bank	<u>3,153</u>	<u>17,094</u>

Note 11. Short term investments

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current assets</i>		
Short-term investments	<u>219,089</u>	<u>211,445</u>

Following the receipt of the first commercial sale milestone payment, the upfront payment for the expansion of the partnership with Acadia Pharmaceuticals for Trofinetide to a worldwide exclusive licence and quarterly royalties, Neuren is holding more funds than are required to meet currently forecast short-term cash commitments. As a result, the Company has classified short-term deposits as short-term investments.

Neuren Pharmaceuticals Limited
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Note 12. Trade and other receivables

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current assets</i>		
Trade receivables	155,154	-
Other receivables	1,167	80
Interest receivables	1,249	1,532
Prepayments	397	4,205
	<u>157,967</u>	<u>5,817</u>

Trade receivables includes amounts receivable under the license agreement with Neuren's partner, Acadia Pharmaceuticals. The amounts outstanding from Acadia at 31 December 2024 were related to the revenue recognised for the sales milestone payment and the consideration in relation to the priority review voucher. The consideration for the priority review voucher was received in early February 2025, and the sales milestone payment is expected to be received in Q1 2025.

The Group applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on an individual basis due to the limited number of receivables.

The expected loss rates are based on the payment profile of the individual receivable including historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Trade receivables are written off (i.e. de-recognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst others are considered indicators of no reasonable expectation of recovery. No credit losses have been determined for the current year (2023: nil) and all outstanding invoices are within payment terms at year end.

Note 13. Contract assets

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current assets</i>		
Accrued income	<u>17,756</u>	<u>12,800</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	12,800	-
Additions	56,191	12,800
Transfer to trade receivables	<u>(51,235)</u>	<u>-</u>
Closing balance	<u>17,756</u>	<u>12,800</u>

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Note 14. Trade and other payables

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current liabilities</i>		
Trade payables	1,449	675
Accruals	943	2,174
Employee benefits	503	569
	<u>2,895</u>	<u>3,418</u>
<i>Non-current liabilities</i>		
Employee benefits	41	-
	<u>41</u>	<u>-</u>
Total Trade and other payables	<u>2,936</u>	<u>3,418</u>

Trade payables and accruals relate to operating expenses, primarily research and development expenses. Trade payables comprise amounts invoiced prior to the reporting date and accruals comprise the value of goods or services received but not invoiced at each reporting date.

Refer to Note 20 for further information on financial instruments and risk management.

Note 15. Derivative financial instruments

	As at 31 Dec 2024 \$'000	As at 31 Dec 2023 \$'000
<i>Current assets</i>		
Forward exchange contracts	1,362	-
	<u>1,362</u>	<u>-</u>
<i>Current liabilities</i>		
Forward exchange contracts	-	2,226
	<u>-</u>	<u>2,226</u>

Refer to note 20 for further details.

Note 16. Share capital

	2024 Shares	2023 Shares	2024 \$'000	2023 \$'000
Ordinary shares - issued	<u>129,262,624</u>	<u>129,665,676</u>	<u>165,270</u>	<u>173,127</u>

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Note 16. Share capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 January 2023	128,965,676	167,740
Loan Funded Shares repaid and transferred to participant		-	1,524
Shares issued on exercise of options		700,000	3,881
Share issue expenses - issue costs		-	(18)
		<hr/>	<hr/>
Balance	31 December 2023	129,665,676	173,127
Loan Funded Shares repaid and transferred to participant		-	382
Shares issued on exercise of options		400,000	2,196
Share issue expenses - issue costs		-	(9)
Shares bought back during the year		(803,052)	(10,426)
		<hr/>	<hr/>
Balance	31 December 2024	<u>129,262,624</u>	<u>165,270</u>

Ordinary shares

At 31 December 2024, 127,012,624 ordinary shares (31 December 2023: 127,265,676) are quoted on the ASX, and 2,250,000 unquoted ordinary shares (31 December 2023: 2,400,000) were held as treasury stock in respect of the Loan Funded Share Plan described below. On 2 December 2024 Neuren commenced a share buy-back program, buying back 803,052 shares in the period to 31 December 2024.

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

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

Share based payments

During year to 31 December 2024 \$1.2 million (31 December 2023: \$2.9 million) was recognised in share-based payments expense.

Loan funded shares

The Company has a Loan Funded Share Plan to support the achievement of the Company's business strategy by linking executive reward to improvements in the financial performance of the Company and aligning the interests of executives with shareholders. Under the Loan Funded Share Plan, loan funded shares may be offered to employees or consultants ("Participants"). The Company issues new ordinary shares, which are placed in a trust to hold the shares on behalf of the Participant. The trustee issues a limited-recourse, interest-free loan to the participant, which is equal to the number of shares multiplied by the issue price. A limited-recourse loan means that the repayment amount will be the lesser of the outstanding loan and the market value of the shares that are subject to the loan. The trustee continues to hold the shares on behalf of the Participant until all vesting conditions have been satisfied and the Participant chooses to settle the loan, at which point ownership of the shares is transferred from the trust to the Participant. Any dividends paid by the Company while the shares are held by the trust are applied as repayment of the loan at the after-tax value of the dividend. On request by the Participant, the Company may dispose of, or buy back, vested shares and utilise the proceeds to settle the outstanding loan. The directors may apply vesting conditions to be satisfied before the shares can be transferred to the Participant. Before the loan can be given, the New Zealand Companies Act requires the Company to disclose to shareholders the provision of financial assistance to the Participant. The maximum loan term is 5 years.

All loan funded shares under the plan during the year ended 31 December 2024 vest subject to remaining an employee or consultant if and when the following non-market performance vesting conditions are met:

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 16. Share capital (continued)

	Vesting conditions	Date met
i.	40% of the Loan Funded Shares shall vest on acceptance by the US Food and Drug Administration of the filing of a New Drug Application for Trofinetide; and	September 2022
ii.	40% of the Loan Funded Shares shall vest when the Company determines to progress NNZ-2591 to a Phase 2b or Phase 3 clinical trial following a positive Phase 2 clinical trial outcome, or executes a partnering transaction for NNZ-2591;	February 2024
iii.	20% of the Loan Funded Shares shall vest when the Company executes a partnering transaction for trofinetide outside North America, or submits a Marketing Authorisation Application for trofinetide in the European Union, the United Kingdom, or Japan.	July 2023

Each of these vesting conditions shall be tested separately from the other vesting conditions.

The estimated fair value of the shares has been determined using the Black-Scholes valuation model. The significant inputs into the model were the share price on date of valuation, the estimated future volatility of the share price, a dividend yield of 0%, an expected life of 5 years, and an annual risk-free interest rate of 0.4%. The estimated future volatility of the share price was derived by analysing the historic volatility of the share price during the relevant period.

At 31 December 2024, 2.25 million Loan Funded Shares are held in trust, of which all were vested. During the year ended 31 December 2024, 150,000 vested loan funded shares were converted to issued ordinary shares upon repayment of the loan.

Movements in the number of Loan Funded Shares were as follows:

	Loan funded shares	Weighted average exercise price
Outstanding at 31 December 2022	3,000,000	\$1.84
Exercised during the year	(600,000)	\$1.84
Outstanding at 31 December 2023	2,400,000	\$1.84
Loan repaid and shares transferred to participant	(150,000)	\$1.84
Outstanding at 31 December 2024	<u>2,250,000</u>	\$1.84
Vested and exercisable at 31 December 2024	2,250,000	\$1.84

The exercise price for the 2.25 million Loan Funded Shares is \$1.84 per share.

Options to acquire ordinary shares

At 31 December 2024, there are 1,430,000 options to acquire ordinary shares on issue to employees and consultants. During the year ended 31 December 2024, 400,000 vested options to acquire ordinary shares were exercised, and 370,000 options to acquire ordinary shares were forfeited due to service conditions not being met.

On 7 February 2024, options to acquire 700,000 ordinary shares were granted to employees and consultants. Options to acquire ordinary shares vest subject to remaining an employee or consultant if and when the following non-market performance vesting conditions are met:

i. on the first dosing of a subject in a Phase 3 or Phase 2B clinical trial for NNZ-2591	33.33%
ii. on the first dosing of a subject in a Phase 3 or Phase 2B clinical trial for a second indication for NNZ-2591	33.33%
iii. on the last patient last visit in a Phase 3 or Phase 2B clinical trial for NNZ-2591	33.33%

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 16. Share capital (continued)

Each of these vesting conditions shall be tested separately from the other vesting conditions.

The estimated fair value of the options to acquire ordinary shares has been determined using the Black-Scholes valuation model. The significant inputs into the model were the share price on date of valuation, the estimated future volatility of the share price, the risk-free interest rate, the expected life and a dividend yield of 0%. The estimated future volatility of the share price was derived by analysing the historic volatility of the share price on a daily basis during the two years prior to the issue date of 7 February 2024, as this period is reflective of the anticipated volatility in the future.

Details of the options to acquire ordinary shares during the year ended 31 December 2024, the estimated fair value and variable inputs into the valuation model are shown in the following tables:

Number of shares under option	700,000		
Issue date	7 February 2024		
Exercise price per share option ¹	\$23.09		
Share price on date of valuation	\$22.91		
Estimated future volatility	53.87%		
Annual risk-free rate	3.72%		
	Vesting condition (i)	Vesting condition (ii)	Vesting condition (iii)
Fair value per share option	\$7.25	\$8.14	\$9.64
Expected life	1.95	2.46	3.46

¹ The exercise price for the options to acquire ordinary shares is the 5-day weighted average price at which the shares were traded on the ASX in the 5 days preceding the issue of the options.

The share options included in the outstanding balance at 31 December 2024, vest subject to remaining an employee or consultant if and when the following non-market performance vesting conditions are met:

	950,000 share options	500,000 share options	750,000 share options
i. on acceptance by the US Food and Drug Administration of the filing of a New Drug Application for trofinetide	-	40%	-
ii. when the Company determines to progress NNZ-2591 to a Phase 2b or Phase 3 clinical trial following a positive Phase 2 clinical trial outcome, or executes a partnering transaction for NNZ-2591	60%	40%	60%
iii. when the Company executes a partnering transaction for trofinetide outside North America, or submits a Marketing Authorisation Application for trofinetide in the European Union, the United Kingdom, or Japan	40%	20%	40%

Each of these vesting conditions shall be tested separately from the other vesting conditions. The first vesting condition (i) was met in September 2022, the second vesting condition (ii) was met in February 2024 and the third vesting condition (iii) was met in July 2023.

The estimated fair value of the options to acquire ordinary shares has been determined using the Black-Scholes valuation model. The significant inputs into the model were the share price on date of valuation, the estimated future volatility of the share price, the risk-free interest rate, a dividend yield rate of 0% and an expected life of 2.75 years. The estimated future volatility of the share price was derived by analysing the historic volatility of the share price on a daily basis during the two years prior to the issue date, as this period is reflective of the anticipated volatility in the future.

Movements in the number of Share Options were as follows:

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 16. Share capital (continued)

	Share options	Weighted average exercise price
Outstanding at 31 December 2022	2,200,000	\$3.59
Exercised during the year	<u>(700,000)</u>	\$3.62
Outstanding at 31 December 2023	1,500,000	\$3.57
Granted during the year	700,000	\$23.09
Forfeited during the year	(370,000)	\$23.09
Exercised during the year	<u>(400,000)</u>	\$3.46
Outstanding at 31 December 2024	<u>1,430,000</u>	\$8.11
Vested and exercisable at 31 December 2024	1,100,000	\$3.61

The weighted average exercise price for the options to acquire ordinary shares is \$8.11.

Note 17. Dividends

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

Note 18. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		As at 31 Dec 2024 %	As at 31 Dec 2023 %
Neuren Pharmaceuticals Inc.	United States of America	100%	100%
Neuren Pharmaceuticals (Australia) Pty Ltd	Australia	100%	100%
Neuren Trustee Limited	New Zealand	100%	100%

All subsidiaries have a reporting date of 31 December.

Note 19. Commitments and contingencies

(a) Legal claims

The Group had no legal matter contingencies at 31 December 2024 (31 December 2023: nil).

(b) Commitments

The Group was not committed to the purchase of any plant or equipment or intangible assets as at 31 December 2024 (31 December 2023: nil).

As at 31 December 2024, the Group had commitments under product development contracts at the end of the reporting period but not recognised as liabilities amounting to approximately \$7.8 million, including approximately US \$4.7 million.

(c) Contingent liabilities

The Group had no contingent liabilities at 31 December 2024 (31 December 2023: nil) that require disclosure.

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 20. Financial instruments and risk management

(a) Categories of financial instruments

		At amortised cost		At fair value through profit or loss	Total
		Interest Bearing	Non-Interest Bearing	Non-Interest Bearing	
		\$'000	\$'000	\$'000	\$'000
2024					
Financial assets					
Cash and cash equivalents	10	3,153	-	-	3,153
Short term investments	11	219,089	-	-	219,089
Trade and other receivables	12	-	156,321	-	156,321
Derivative financial instruments - forward exchange contracts	15	-	-	1,362	1,362
Total financial assets		222,242	156,321	1,362	379,925
Financial liabilities					
Trade and other payables	14	-	2,392	-	2,392
2023					
Financial assets					
Cash and cash equivalents	10	17,094	-	-	17,094
Short term investments	11	211,445	-	-	211,445
Trade and other receivables	12	-	14,332	-	14,332
Total financial assets		228,539	14,332	-	242,871
Financial liabilities					
Trade and other payables	14	-	2,849	-	2,849
Derivative financial instruments - forward exchange contracts	15	-	-	2,226	2,226
Total financial liabilities		-	2,849	2,226	5,075

At 31 December 2024, the carrying value of all financial instruments approximated their fair value.

(b) Risk management

The Group is subject to a number of financial risks which arise as a result of its activities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Foreign currency risk

During the normal course of business the Group enters into contracts with overseas customers or suppliers or consultants that are denominated in foreign currency. As a result of these transactions there is exposure to fluctuations in foreign exchange rates. The Company also has a net investment in a foreign operation, whose net assets are exposed to foreign currency translation risk.

The principle currency risk faced by the business is the exchange rate between the Australian dollar and the US dollar. The Group holds cash denominated in US dollars and Australian dollars and has material revenue and expenditure in each of these currencies. Where possible, the Group matches foreign currency income and foreign currency expenditure as a natural hedge, holding foreign currency cash to facilitate this natural hedge. When foreign currency expenditure exceeds foreign currency revenue and foreign currency cash, the group purchases foreign currency to meet anticipated requirements under spot and forward contracts. The Group does not designate formal hedges.

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 20. Financial instruments and risk management (continued)

At 31 December 2024, there were three forward contracts to convert Australian dollars to US dollars outstanding. Adjustment of these financial instruments to fair value as measured at 31 December 2024 resulted in a gain of \$3.6 million. This fair value measurement is categorised within Level 2 of the fair value hierarchy. A summary of the forward contracts outstanding at 31 December 2024 is as follows:

	Buy USD \$'000	Sell AUD \$'000	Term	Weighted average exchange rate
Buy US dollar / sell AU dollar	28,315	44,175	3 months or less	0.6410

During the year, the US dollar fluctuated against the Australian dollar. A net foreign exchange loss of \$7.2 million is included in results for the year ended 31 December 2024 (2023: \$2.4 million gain), this includes a \$nil gain on the milestone revenue from Acadia (2023: \$1.9 million gain).

The carrying amounts of Australian dollar (2023: US dollar) denominated financial assets and liabilities are as follows:

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Assets		
US dollars	-	168,688
Australian dollars	104,030	-
	<u>104,030</u>	<u>168,688</u>
Liabilities		
US dollars	-	2,760
Australian dollars	230	-
	<u>230</u>	<u>2,760</u>

For the prior period, an increase of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have decreased the consolidated profit after income tax by \$18,418,196. A decrease of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have increased the consolidated profit after income tax by \$22,511,129. An increase of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have decreased equity by \$51,743. A decrease of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have increased equity by \$63,242.

During the current period the functional currency of the Group changed from Australian dollars to US dollars. An increase of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have increased the consolidated profit after income tax by \$5,428,109. A decrease of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have decreased the consolidated profit after income tax by \$6,639,911. An increase of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have decreased equity by \$36,280,789. A decrease of 10% in the rate of the Australian dollar against the US dollar as at the reporting date would have increased equity by \$44,142,672.

Interest rate risk

The Group is exposed to changes in market interest rates as entities in the Group hold cash and cash equivalents and short-term investments.

The effective interest rates on financial assets are as follows:

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 20. Financial instruments and risk management (continued)

Financial Assets	2024 \$'000	2023 \$'000
Cash and cash equivalents		
Australian dollar cash deposits	102,014	59,858
Australian dollar interest rate	4.67%	4.79%
US dollar cash deposits	120,174	168,688
US dollar interest rate	4.27%	4.67%

The Company and Group do not have any interest-bearing financial liabilities. Trade and other receivables and payables do not bear interest and are not interest rate sensitive.

A 5% change in average market interest rates would have changed reported profit after tax by approximately \$494,963 (2023: \$537,400). A 5% increase/decrease in the average market interest rates would have no impact on other components of equity.

Credit risk

The Group incurs credit risk from transactions with financial institutions. The total credit risk on cash and cash equivalents and short-term investments, which have been recognised in the statement of financial position, is the carrying amount. The Company and its subsidiaries do not retain any collateral or security to support transactions with financial institutions. Cash and cash equivalents and short-term deposits are held and transacted with National Australia Bank, Commonwealth Bank, Westpac, ANZ, Western Union and Primis bank.

Liquidity risk

The Group's financial liabilities, comprising trade and other payables and derivatives, are generally repayable within 1 – 3 months. The maturity and availability of financial assets, comprising cash and cash equivalents, short-term investments and trade and other receivables, are monitored and managed to ensure financial liabilities can be repaid when due.

Capital management

The Group monitors capital including share capital, retained earnings and reserves and the cash and cash equivalents and short-term investments presented in the consolidated statement of financial position. The Group has no debt. The key objective of the Group when managing its capital is to safeguard its ability to continue as a going concern, so that the Group can sustain the future development of the research and development activities being performed by the Group.

Note 21. Key management personnel disclosures

The Key Management Personnel of the Group (KMP) include the directors of the Company and employees who reporting directly to the Managing Director. Compensation for KMP was as follows:

	Year ended Dec 2024 \$'000	Year ended Dec 2023 \$'000
Short-term employee benefits	1,864	3,266
Post-employment benefits	158	169
Long-term benefits	37	74
Share-based payments	98	1,446
	<u>2,157</u>	<u>4,955</u>

Note 22. Related party transactions

Parent entity

Neuren Pharmaceuticals Limited is the ultimate parent entity ("Parent").

Subsidiaries

Interests in subsidiaries are set out in Note 18. The Parent funds the activities of the subsidiaries throughout the year as needed. All amounts due between entities are payable on demand and bear no interest.

Neuren Pharmaceuticals Limited
Notes to the consolidated financial statements
31 December 2024

Note 22. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

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.

Note 23. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Independent Auditor's Report

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To the Shareholders of Neuren Pharmaceuticals Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Neuren Pharmaceuticals Limited (the "Company") and its subsidiaries (the "Group") on pages 3 to 28 which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board and IFRS Accounting Standards issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

Why the audit matter is significant	How our audit addressed the key audit matter
<p>Share Based Payments</p> <p>During the year ended 31 December 2024, the Group issued share options to key employees and contractors,</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Obtaining an understanding of the key terms and conditions of the share options by reviewing the relevant agreements.

<p>which have been accounted for as share based payments under <i>IFRS 2 Share-Based Payments</i>.</p> <p>Share-based payments is an accounting area involving complex calculations which requires the use of assumptions and judgements from management to derive the fair value of the options issued during the year.</p> <p>The fair value of the options was determined using the Grant-Date Method via a Black-Scholes valuations model as described in Note 16 in the financial statements.</p> <p>Management's judgements and estimates included the estimated future volatility of the share price, and an annual risk-free interest rate.</p> <p>We included the valuation of the share options as a key audit matter, due to the high estimation uncertainty within the assumptions and the impact these have on the fair value of the shares.</p>	<ul style="list-style-type: none"> • Engaging with our financial advisory services team as our auditor's expert to assess the reasonableness of the methodology as well as the key assumptions used in deriving the fair value of the share options. • Ensuring the mathematical accuracy of the fair valuation model. • Performing a sensitivity analysis using key inputs and assessing the impact on the fair value. • Reviewing the adequacy of the financial statement disclosures, including the disclosures around significant judgments involved and the accounting policies adopted.
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Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and IFRS Accounting Standards issued by the International Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (NZ) 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 these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1/>

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

D Alamar

Partner

Auckland, New Zealand

27 February 2025