Nexalis Therapeutics Ltd

(Formerly known as InhaleRx Limited)

ACN 611 845 820

Annual Report - 31 December 2025

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Corporate directory
31 December 2025

Directors	Sean Williams - Non-Executive Chairman Dr Ronald Wise - Non-Executive Director Tony Fitzgerald - Non-Executive Director
Company secretaries	James Barrie
Registered office	Level 9, 505 Little Collins Street Melbourne VIC 3000
Principal place of business	Level 9, 505 Little Collins Street Melbourne VIC 3000
Share register	Automic Legal Pty Ltd Level 5 126 Phillip Street, Sydney NSW 2000 Ph : 03 9415 5000
Auditor	RSM Australia Partners Level 27 120 Collins Street Melbourne VIC 3000
Stock exchange listing	Nexalis Therapeutics Ltd shares are listed on the Australian Securities Exchange (ASX code: NX1)
Corporate Governance Statement	Refer to nexalistherapeutics.com

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Chairman's letter
31 December 2025

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the Annual Report of Nexalis Therapeutics Limited ('**Nexalis**' or '**Company**') for the financial year ended 31 December 2025.

Nexalis continued to develop its portfolio of unique medications during 2025: IRX-211 as a treatment for Breakthrough Cancer Pain ('**BTcP**'); and IRX-616a as a treatment for Panic Disorder ('**PD**'). These are both inhaled medications to be delivered via a pressurised metered dose inhaler ('**pMDI**') in a fixed dose, providing a convenient and effective mode of administration.

In November 2025, the Company announced its intention to add a further drug to its portfolio, being SRX-25, which is an oral treatment for Treatment Resistant Depression ('**TRD**'). With the Company's development focus extending beyond inhaled medications, it was decided to change the company name from "InhaleRx Limited" to "Nexalis Therapeutics Limited". Shareholders subsequently approved the change of name and it became effective on 12 February 2026.

The Company's ultimate objective is to achieve a New Drug Approval ('**NDA**') for these indications as time efficiently and cost effectively as possible with the US Food & Drug Administration ('**FDA**') via the FDA 505(b)(2) pathway. This pathway allows an Investigational New Drug to reference data available in the public domain which presents time and cost saving opportunities. There is also greater flexibility in the 505(b)(2) application process and the regulatory approval process is not as burdensome as the standard NDA pathway.

Linlithgow Family Office Facility Agreement

In October 2024, the Company entered into a $38.5 million funding facility ('**the Funding Agreement**') with Clendon Biotech Capital ('**Clendon**') which fully covered the clinical trial costs, including the associated non-clinical work and trial drug manufacturing costs for its IRX-211 and IRX-616a drug development plans through to the completion of Phase 2 clinical trials. As part of the initial funding arrangement, Clendon was issued with 38,449,145 options.

In October 2025, at Clendon's request, the Company executed an assignment deed which transferred the Funding Agreement to a new funding entity, Linlithgow Family Office Pty Ltd ('**LFO**'). There was no material change to the Funding Agreement resulting from this assignment.

On 26 November 2025, LFO agreed to extend the Facility Agreement to a limit of $52.3m in order to cover the addition of SRX-25. An additional 10,892,534 options were subsequently approved by shareholders in consideration for this increase in funding.

The options issued to LFO provide a mechanism for the repayment of the Funding Agreement loan. The options, which in number equate to approximately 20% of the total ordinary shares on issue as at the date of the SRX-25 funding announcement, have a vesting window which aligns with the completion of the phase 2 clinical programs for each of IRX-211, IRX-616a and SRX-25. The Company's objective is to ensure that the value of these medications as phase 3 ready assets is properly reflected in Nexalis' share price at the time that the options vest, given that the vesting price of the options is based on a 10% discount to Nexalis' 90 day volume weighted average share price at those times.

IRX211

IRX211 is a THC based synthetic cannabinoid derived drug (dronabinol) delivered via a pMDI in a fixed dose designed to provide rapid onset analgesia for patients suffering with acute episodic bursts of breakthrough pain. These are generally of short duration, typically lasting minutes to hours.

Managing BTcP is challenging because its rapid onset and intensity often make standard pain control strategies insufficient. While opioids are the mainstay of conventional cancer pain management, their use carries risks such as tolerance, dependence, and adverse effects. Therefore, there is a significant opportunity for effective, rapid-onset, non-opioid treatments to address BTcP in this vulnerable patient population.

Nexalis completed a Phase 1 clinical trial for IRX-211 during 2024 which confirmed the safety of the drug in healthy volunteers. This has allowed the Company to progress with its planned Phase 2 trial, in the form of a double-blind, placebo-controlled, multicenter, crossover study with a titration period to evaluate the efficacy and safety of IRX-211 for the treatment of BTcP in opioid tolerant patients.

The Company's focus during the 2025 year was on ensuring all the necessary regulatory approvals were in place and finalising the manufacturing of the Investigational Medical Products in preparation for the Phase 2 trial.

A total of 156 patients diagnosed with cancer and experiencing one or more BTcP episodes on at least seven days of the 14-day baseline observation period will be enrolled in the open-label titration period stage of the trial – Part A. At least 78 eligible patients are planned to be randomised and entered into Part B.

Patient screening for the trial is expected to commence shortly and the Company will look to accelerate patient dosing as new sites are activated over coming months.

IRX616a

PD refers to the experience of recurrent and disabling panic attacks which last up to a few minutes and are accompanied by physical symptoms such as heart palpitations, shaking, shortness of breath and dizziness. There are currently no effective treatments for PD with sufferers forced to rely on atypical antidepressants (SSRI), sedatives (benzodiazapines) and anti-convulsants (gabapentin).

The Company is currently in the process of conducting a HREC approved Phase 1 clinical trial comprising a randomised, double-blind, placebo-controlled single ascending dose study to assess the pharmacokinetics, safety and tolerability of cannabidiol ('**CBD**') inhalation aerosol in healthy adult volunteers. The study consists of three phases: Screening, Treatment, and Follow-up. The clinical trial will include approximately 3 cohorts of 8 volunteers (1 cohort per dose level) prescheduled in a sequential ascending manner.

The Company's focus during the 2025 year was on ensuring all the necessary regulatory approvals were in place and finalising the manufacturing of the Investigational Medical Products in preparation for commencement of the Phase 1 trial.

SRX-25

SRX-25 is an oral fixed-dose combination therapy that combines esketamine and CYP450 inhibitor (accelerator) for the treatment of TRD which has been designed to address significant gaps in the current TRD treatment landscape. The combination of a CYP450 inhibitor with esketamine is intended to improve systemic exposure in patients by reducing first-pass metabolism. The oral formulation is intended to leverage the pharmacokinetic profile of intranasal esketamine while offering a more scalable mode of administration.

Esketamine is a known NMDA receptor antagonist with demonstrated rapid antidepressant effects in TRD patients, but is currently available predominantly as an intranasal formulation (Spravato, marketed by Johnson & Johnson) which must be administered under medical supervision in a clinical setting. This requirement limits patient access and creates logistical, cost, and adherence challenges that prevent the majority of eligible patients from receiving therapy.

Development will proceed via the 505(b)(2) regulatory pathway, with plans for a Phase 1 pharmacokinetic study followed by a Phase 2 proof-of-concept trial. The aim is to position the program for Phase 3 readiness within three years of commencing Phase 1.

The unmet need in TRD remains significant, with the global market in 2023 valued at US $1.95 billion and projected to more than double to US $4.06 billion by 2030[1]. In the United States alone, approximately 2.8 million patients are affected by TRD[2], yet only a small proportion can access esketamine therapy due to barriers such as cost, stigma, and the logistical demands of in-clinic administration. By addressing these constraints, SRX-25 has the potential to meaningfully expand treatment access to a large population of patients who currently lack effective and practical therapeutic options.

Capital raising

The Company completed a capital raise of $750,000 (before costs) via a two stage placement with the first stage completed in December 2025 and the 2nd stage completed in January 2026. The Company also raised $107,730 (before costs) under an entitlement offer in December 2025. The capital raised secures working capital for expenditure that is not eligible under the Funding Agreement.

The financial loss for the consolidated entity after providing for income tax and non-controlling interests amounted to $1,618,780 up 34% compared to previous period (31 December 2024: $1,209,373). This loss largely reflects the research and development ('**R&D'**) expenditure associated with the Company's clinical trial programmes of $1,759,771 (31 December 2024: $622,097). Revenue for the year was $992,167 and predominantly related to the Company's RDTI entitlement compared to the previous period of $559,676.

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Chairman's letter
31 December 2025

On behalf of the board I would like to acknowledge the hard work and dedication of the small Nexalis executive team and supporting consultants and contractors, including the team at Ingenu CRO, who have provided invaluable support and assistance through-out the year.

Finally, I would also like to thank our loyal shareholders for their continued support over the year. Your Board looks forward to an exciting and productive 2026 and to keeping everyone informed of developments as they occur.

Sean Williams

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Directors' report
31 December 2025

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Nexalis Therapeutics Ltd (referred to hereafter as 'Nexalis', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2025.

Directors
The following persons were directors of Nexalis Therapeutics Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Sean Williams – Non-Executive Chairman
Dr Ronald Wise – Non-Executive Director
Tony Fitzgerald – Non-Executive Director (appointed 6 February 2025)
James Barrie - Non-Executive Director (resigned 6 February 2025)

Principal activities
The principal activities of the consolidated entity during the period were focused on the development of registrable medications. The consolidated entity's drug formulations aim to bring fast, safe and effective relief to suffers of pain and anxiety related illnesses.

Our Business Model and Objectives
The consolidated entity's strategy is to develop registrable novel medicinal formulations for the treatment of illnesses for which there is currently no effective treatments.

The consolidated entity's objective is to deliver increases in shareholder value, by delivering against the key elements of the strategy and business model.

There is a clear orientation towards growing the existing businesses within the consolidated entity, however, a disciplined approach to evaluating other investment opportunities will be maintained.

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,618,780 (31 December 2024: $1,209,373).

Refer to the Chairman's letter that comes directly before this Directors' Report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 9 January 2026, the company issued 6,900,000 fully paid ordinary shares valued at 2.5 cents per share raising $172,500 before costs.

On 30 January 2026, the company issued 4,025,619 performance rights to directors in lieu of their fees.

On 12 February 2026, the company announced that it had changed its name to Nexalis Therapeutics Ltd. From 17 February 2026, the company's securities were listed under ASX ticker code of NX1.

On 17 February 2026, the company issued 6,000,000 fully paid ordinary shares valued at 2.5 cents per share raising $150,000 before costs. On the same date, the company also issued 15,000,000 free attaching options expiring on 22 December 2027 with an exercise price of 4.2 cents. The company issued a further 6,000,000 options on the same terms to brokers as remuneration for services provided.

On 23 February 2026, the company issued 780,000 fully paid valued at $19,500 to settle corporate advisory fees.

No other matter or circumstance has arisen since 31 December 2025 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.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Business risks
The consolidated entity's material business risks are outlined below:

- The risk that Nexalis' treatments for pain and anxiety do not prove to be sufficiently safe or efficacious as to satisfy the registration requirements of the US Food and Drug Administration in order to secure a New Drug Approval;
- While the company is targeting medical conditions for which there are currently unmet needs (relative to current available treatments), there is a risk that new drugs enter the pain and anxiety markets which will limit the commercial opportunities for Nexalis' drug device combinations treatments; and
- The company is unable to raise sufficient debt or capital resources to adequately funds its drug-device development program through to the commercialisation stage as well as meeting its corporate and administration costs.

Nexalis management has developed a risk management plan which is reviewed and up-dated regularly with a view to ensuring the company has adequate risk mitigation and management processes in place. The risk management plan is reviewed by the Nexalis board at least once every 6 months.

Environmental regulation
Due to the nature of legalisation of Medical and Recreational Cannabis the company continues to monitor the fast-changing regulatory environment and is well poised to pursue new markets as the regulatory environments change. The consolidated entity's operations are not affected by other environmental regulation.

Information on directors

Name:	Sean Williams
Title:	Non-Executive Chairman
Qualifications:	Sean graduated from Swinburne University with a Bachelor's Degree in Business (accounting) and was admitted to the Institute of Chartered Accountants in Australia and New Zealand in 1993.
Experience and expertise:	Sean has over 30 years experience in senior executive and finance roles across the pharmaceutical, healthcare, investment management and supply chain sectors. Having commenced his career with an international accounting firm, Sean has held a number of senior roles including General Manager, Finance for Symbion Pharmacy (Australia's largest pharmaceutical wholesaler). He also headed up Symbion's market leading hospital pharmacy and dental divisions and was responsible for Independent Pharmacy Solutions (a short-line wholesale business). Sean has worked as an investment director in private equity and as a senior executive in private equity backed ventures. He has also led management buy-outs and been involved in founding start-up businesses within the supply chain sector. Most recently, Sean was CEO of a $500m investment management business specialising in Australian agricultural investments.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	983,920 fully paid ordinary shares
Interests in options:	6,021,389 options over ordinary shares
Interests in rights:	2,926,443 performance rights

Name:	Tony Fitzgerald
Title:	Non-Executive Director (appointed 6 February 2025)
Qualifications:	Tony is a Life Sciences entrepreneur, technologist and company director with extensive multi-country experience in private and public companies. He holds a Bachelor of Arts, Bachelor of Jurisprudence and Bachelor of Laws from the University of WA and a Master of Public Administration (Public Finance) from California State University, Fullerton.
Experience and expertise:	Currently the CEO of molecular diagnostics company Avicena Systems Limited, Tony adds significant skills and experience to the board, including as founder of ASX listed medical AI imaging company Resonance Health and cancer immunology company Selvax Pty Ltd, both of which are medical technology spin outs from major Australian universities. Tony was also Co-Founder of the Alerte group of AI technology companies including Alerte Digital Health and Singulariti Systems, and Avicena Systems Limited, the molecular diagnostics company that was named best Australian tech startup of the year in the 2021 national iAwards. He has successfully concluded an echocardiogram data licensing transaction for Alerte that enabled the later spin out of the Echo IQ technology to ASX listed Echo IQ Limited. Tony is highly experienced in appraising and negotiating a variety of acquisitions, mergers and divestments and strategic partnering transactions in the life sciences, technology and resource related sectors (domestic and cross-border). He has also undertaken public listings and capital raisings for companies in the life sciences, pharmaceutical distribution, artificial intelligence, agri-business, heavy engineering and resource sectors. In addition, he has represented two major resource infrastructure projects in high level government negotiations (Australia, Korea and China) and has served as director of various public companies over a twenty-five-year period.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	500,000 options over ordinary shares
Interests in rights:	1,590,350 performance rights

Name:	Dr Ronald Wise
Title:	Non Executive Director
Experience and expertise:	Dr Ronald Wise holds a PhD (Plasma Proteins of Neonatal Animal) and a B Sc from the University of Western Australia ('**UWA'**). He completed 4 years post-doctoral research in the USA at Florida State University and Stanford University. He then lectured at UWA in the Department of Biochemistry for 2 years, followed by research at Princess Margaret Children's Hospital in WA. Ron then became involved in mineral exploration and was Chairman of companies responsible for discovering the Woodada Gas Field and the Mt Percy Gold Mine. In recent times he has been involved as Chairman and co-founder of Selvax Pty Ltd, an immunotherapy drug development company, which is expanding on work carried out by the team of Dr Delia Nelson at Curtin University.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	4,006,302 fully paid ordinary shares
Interests in options:	1,256,659 options over ordinary shares
Interests in rights:	1,833,762 performance rights

Name:	James Barrie
Title:	Non-Executive Director (resigned 6 February 2025)
Qualifications:	B. Business, GAICD, Dipl InvRel (AIRA)
Experience and expertise:	James is a professional director and company secretary. He was appointed Company Secretary on 3 August 2023 and as a Non-Executive Director on 1 March 2024. His strength and expertise are driven by his extensive career and background across various industry sectors including various roles in pharmaceuticals, from start-ups to ASX 20. James provides the Board independent advice and expertise across various governance and corporate responsibility requirements required of an ASX-listed company. James' skills include corporate governance, share registry, employment plans, treasury, capital management, accounting, commercial analysis, mergers and acquisitions, strategy, stakeholder relations and business development. He is also the company secretary and/or a director of several other ASX, NSX or unlisted companies.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A
Interests in options:	N/A

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
James Barrie, who was appointed Company Secretary on 3 August 2023, is a professional Director and Company Secretary and provides the Company with a range of commercially focussed professional services and knowledge, including governance, share registry and employee equity plans, stakeholder relations support and virtual shareholder meetings. Mr Barrie (B.Bus, DiplInvRel, CPA, GAICD) is currently a director and/or secretary of several ASX-listed, NSX-listed and unlisted companies.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2025, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Sean Williams	12	12
Dr Ron Wise	12	12
Tony Fitzgerald	11	11
James Barrie	1	1

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The remuneration policy of Nexalis has been designed to align key management personnel ('**KMP**') objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's long term strategic and operational performance. The Board of Directors ('**the Board**') of Nexalis believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated entity, as well as creating goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated entity is as follows:

- The remuneration policy is to be developed by the Board;
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options, performance rights and performance incentives;
- Performance incentives are generally only paid once predetermined key performance indicators (**'KPIs'**) have been met;
- Incentives paid in the form of options or performance rights are intended to align the interests of the KMP and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The Board reviews KMP packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board which performs the functions and responsibilities of the Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for directors and executives. The performance of the consolidated entity depends on the quality of directors and executives.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the achievement of specific goals and clinical development programme milestones. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP do not receive any other retirement benefits other than any applicable statutory superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

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

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 May 2017, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

For the 2025 year, all board remuneration was paid in the form of performance rights which have vesting conditions aligned with the achievement of key long term milestones in the company's clinical development program and are therefore closely aligned to shareholder value creation objectives.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- long-term performance incentives
- other remuneration such as superannuation and long service leave

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nexalis Board based on the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash, fully paid shares or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('**LTI**') program is designed to align the long term strategic and financial performance targets of the company with the performance hurdles of executives. LTI payments are granted to executives based on specific targets and KPI's being achieved. KPI's are predominantly aligned to clinical development pathway milestones and other strategic corporate objectives.

Performance-based remuneration
KPI's are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPI's target areas the Board believes hold greater potential for long term value creation. Given the current early development stage of the company these largely relate to the achievement of long-term clinical development goals.

Performance in relation to the KPI's is assessed annually, with LTI program incentives being awarded depending on whether the performance target or milestone is achieved. Following the assessment, the KPI's are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the consolidated entity's goals and shareholder wealth, before the KPI's are set for the following year.

Consolidated entity performance and link to remuneration
The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The method applied to achieve this aim, was performance-based, long term incentives based on KPI's. The company believes this policy will be effective in increasing shareholder wealth.

Use of remuneration consultants
No remuneration consultant was engaged to assess remuneration this period.

Voting and comments made at the company's 2024 Annual General Meeting ('AGM')
At the 29 May 2025 AGM, 59.66% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2024. This represented a first strike against the remuneration report.

The Board acknowledges the concerns raised by shareholders in relation to the 2024 remuneration report and has taken the following action:

(1) There has been no increases to fixed remuneration for the CEO or executive team;
(2) Non executive director fees have been frozen for the fourth consecutive year;
(3) All non executive fees have been paid through the issuance of performance rights which have vesting conditions based on the achievement of key long term milestones in the company's clinical development program;
(4) CEO remuneration has been paid in fully paid shares, rather than cash;
(5) All LTI's for executives were issued with vesting conditions based on the achievement of key long term milestones in the company's clinical development program.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Post employment benefits	Share-based payments	
2025	Cash salary and fees $	Cash bonus $	Shares issued $	Super-annuation $	Termination $	Equity-settled $	Total $
Non-Executive Directors:							
S Williams	383	-	-	-	-	1,986	2,369
Dr R Wise	-	-	-	-	-	8,376	8,376
Tony Fitzgerald – (appointed 6 February 2025)	-	-	-	-	-	7,927	7,927
James Barrie (resigned 6 February 2025) *	9,327	-	-	-	-	-	9,327
Other Key Management Personnel:							
D Davies	-	-	149,850	-	-	-	149,850
Dr R Jenny	51,231	-	-	6,057	-	8,952	66,240
	60,941	-	149,850	6,057	-	27,241	244,089

* Includes fee paid in capacity as director and company secretary.

	Short-term benefits			Post-employment benefits	Post employment benefits	Share-based payments	
2024	Cash salary and fees $	Cash bonus $	Shares issued $	Super-annuation $	Termination $	Equity-settled $	Total $
Non-Executive Directors:							
S Williams	60,266	-	24,815	-	-	24,635	109,716
Dr J Crock (resigned 1 March 2024)	-	-	8,325	-	-	-	8,325
Dr A Saich (resigned 18 November 2024)	15,000	-	26,250	-	-	-	41,250
Dr R Wise (appointed 28 November 2024)	4,181	-	-	-	-	-	4,181
James Barrie (appointed 1 March 2024 and resigned 6 February 2025) *	58,646	-	16,500	1,667	-	-	76,813
Other Key Management Personnel:							
D Davies	49,950	-	99,900	-	-	-	149,850
Dr R Jenny	59,538	-	-	6,636	-	-	66,174
	247,581	-	175,790	8,303	-	24,635	456,309

* Includes fee paid in capacity as director and company secretary.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2025	2024	2025	2024	2025	2024
Non-Executive Directors:						
S Williams	16%	22%	-	-	84%	78%
Dr A Saich	-	100%	-	-	-	-
Dr J Crock	-	100%	-	-	-	-
James Barrie (resigned 6 February 2025)	100%	100%	-	-	-	-
Dr R Wise	-	100%	-	-	100%	-
Tony Fitzgerald – (appointed 6 February 2025)	-	-	-	-	100%	-
Other Key Management Personnel:						
D Davies	100%	100%	-	-	-	-
Dr Rob Jenny	86%	100%	-	-	14%	-

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Sean Williams
Title:	Non-Executive Chairman
Agreement commenced:	26th July 2021
Term of agreement:	$76,650 per annum plus superannuation

Name:	Darryl Davies
Title:	Executive Director and then Chief Executive Officer from 26th September 2022
Agreement commenced:	24th December 2021
Term of agreement:	$135,000 per annum plus superannuation

Name:	Dr John Crock
Title:	Non-Executive Director (resigned 1 March 2024)
Agreement commenced:	26th September 2022
Term of agreement:	$45,000 per annum plus superannuation

Name:	Dr Rob Jenny
Title:	Chief Scientific Officer
Agreement commenced:	9th August 2022
Term of agreement:	$36,000 per annum plus superannuation

Name:	James Barrie
Title:	Non-Executive Director (resigned 6 February 2025) and Company Secretary
Agreement commenced:	1st March 2024
Term of agreement:	Director fees were payable at $45,000 per annum plus superannuation. He is also entitled to $42,000 per annum is his capacity as company secretary.

Name:	Dr Ronald Wise
Title:	Non-Executive Director
Agreement commenced:	28th November 2024
Term of agreement:	Director fees are payable at $45,000 per annum plus superannuation.

Name:	Tony Fitzgerald
Title:	Non-Executive Director
Agreement commenced:	6th February 2025
Term of agreement:	Director fees are payable at $45,000 per annum plus superannuation.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2025 are set out below:

Name	Date	Shares	Issue price	$
Darry Davies	2 October 2025	4,499,914	$0.0333	149,850

The above shares were issued in lieu of accrued directors' fees.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this prior financial year, current financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
S Williams	2,000,000	3 June 2024	3 June 2024	30 June 2027	$0.0150	$0.0120
Anthony Fitzgerald	500,000	7 July 2025	7 July 2025	7 July 2028	$0.1200	$0.0140
Dr Ron Wise	500,000	7 July 2025	7 July 2025	7 July 2028	$0.1200	$0.0140
Rob Jenny	500,000	23 October 2025	23 October 2025	23 October 2028	$0.1200	$0.0134

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2025 are set out below:

Name	Number of options granted during the year 2025	Number of options granted during the year 2024	Number of options vested during the year 2025	Number of options vested during the year 2024
S Williams	-	2,000,000	-	2,000,000
R Jenny	500,000	-	500,000	-
Dr Ron Wise	500,000	-	500,000	-
Antony Fitzgerald	500,000	-	500,000	-

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Fair value per right at grant date
8 July 2025	23 October 2027	$0.0075
14 November 2025	30 September 2026	$0.0330
14 November 2025	23 October 2027	$0.0083

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Share price hurdle for vesting	Fair value per right at grant date
Sean Williams	1,074,866	8 July 2025	23 October 2027	$0.0000	$0.0075
Ron Wise	746,736	8 July 2025	23 October 2027	$0.0000	$0.0075
Anthony Fitzgerald	503,324	8 July 2025	23 October 2027	$0.0000	$0.0075
Rob Jenny	250,000	14 November 20025	30 September 2026	$0.0000	$0.0330
Rob Jenny	750,000	14 November 2025	23 October 2027	$0.0000	$0.0083

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2025 are set out below:

Name	Number of rights granted during the year 2025	Number of rights granted during the year 2024	Number of rights vested during the year 2025	Number of rights vested during the year 2024
Sean Williams	1,074,866	-	-	-
Ron Wise	745,736	-	-	-
Anthony Fitzgerald	503,324	-	-	-
Rob Jennty	1,000,000	-	-	-

Additional information
The earnings of the consolidated entity for the five years to 31 December 2025 are summarised below:

	2025 $	2024 $	2023 $	2022 $	2021 $
Sales revenue	-	-	-	24,800	167,301
Loss after income tax	(1,618,780)	(1,209,373)	(1,443,271)	(1,927,049)	(1,111,129)

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

	2025	2024	2023	2022	2021
Share price at financial year end ($)	0.024	0.035	0.029	0.060	0.090
Basic earnings per share (cents per share)	(0.751)	(0.567)	(0.762)	(1.114)	(0.663)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Held at time of appointment	Additions/ received in lieu of fees	Held at time of resignation	Balance at the end of the year
Ordinary shares					
Sean Williams **	941,143	-	42,777	-	983,920
Darryl Davies *	51,775,715	-	4,499,914	-	56,275,629
Dr Ronald Wise	2,492,985	-	113,317	-	2,606,302
James Barrie **	492,792	-	50,000	(542,792)	-
	55,702,635	-	4,706,008	(542,792)	59,865,851

* Held 48,330,887 shares held indirectly through Cannvalate Pty Ltd. During the year he received 4,499,914 shares in lieu of unpaid fees.
** Shares received during the year were in lieu of unpaid fees.

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Additions	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Sean Williams	6,000,000	-	21,389	-	6,021,389
Darryl Davies	4,000,000	-	-	-	4,000,000
Rob Jenny	500,000	500,000	-	-	1,000,000
Dr Ronald Wise	-	500,000	56,659	-	556,659
Anthony Fitzgerald (appointed 6 February 2025)	-	500,000	-	-	500,000
	10,500,000	1,500,000	78,048	-	12,078,048

Performance rights holding
The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Sean Williams	-	1,074,866	-	-	1,074,866
Anthony Fitzgerald (appointed 6 February 2025)	-	503,324	-	-	503,324
Dr Ronald Wise	-	746,736	-	-	746,736
Rob Jenny	-	1,000,000	-	-	1,000,000
	-	3,324,926	-	-	3,324,926

Other transactions with key management personnel and their related parties
There have been no other transactions involving equity instruments apart from those disclosed in the above tables. There have been no other options granted to key management personnel over unissued shares during or since the end of the reporting period. There have also been no loans made to key management personnel during or since the end of the reporting period.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Nexalis Therapeutics Ltd under option at the date of this report are as follows:

Issue date	Expiry date	Exercise price	Number under option
14 December 2022	15 December 2026	$0.2000	4,000,000
11 July 2023	11 July 2026	$0.0150	4,000,000
3 June 2024	3 June 2027	$0.1500	2,000,000
13 December 2024 *	31 December 2029	$0.0000	38,449,145
7 July 2025	7 July 2028	$0.1200	1,000,000
14 November 2025	30 October 2028	$0.1200	500,000
17 February 2026	23 December 2027	$0.0420	23,154,603
			73,103,748

* The exercise price of the options is the higher of: (a) $0.025 per Option; and (b) a price equal to 90% of the 90-day volume-weighted average price (‘**VWAP’**) of the shares in the company ending one business day before the date of exercise of the option.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate. No options have been granted over unissued shares during or since the end of the reporting period.

Shares under performance rights
Unissued ordinary shares of Nexalis Therapeutics Ltd under performance rights at the date of this report are as follows:

Grant date	Number under rights
8 July 2025	2,324,926
14 November 2025	250,000
14 November 2025	750,000
30 January 2026	4,025,619
	7,350,545

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Nexalis Therapeutics Ltd issued on the exercise of options during the year ended 31 December 2025 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of Nexalis Therapeutics Ltd issued on the exercise of performance rights during the year ended 31 December 2025 and up to the date of this report.

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

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

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements.

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

The directors are of the opinion that the services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of RSM Australia Partners
There are no officers of the company who are former partners of RSM Australia Partners.

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

Auditor
RSM Australia Partners was appointed in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Sean Williams
Director

31 March 2026

RSM Australia Partners

Level 27, 120 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Nexalis Therapeutics Ltd for the year ended 31 December 2025, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 31 March 2026

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Certified System Quality ISO 9001

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Contents
31 December 2025

Statement of profit or loss and other comprehensive income	20
Statement of financial position	21
Statement of changes in equity	22
Statement of cash flows	23
Notes to the financial statements	24
Consolidated entity disclosure statement	40
Directors' declaration	41
Independent auditor's report to the members of Nexalis Therapeutics Ltd	42
Shareholder information	46

General information

The financial statements cover Nexalis Therapeutics Ltd as a consolidated entity consisting of Nexalis Therapeutics Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Nexalis Therapeutics Ltd's functional and presentation currency.

Nexalis Therapeutics Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9, 505 Little Collins Street
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 March 2026. The directors have the power to amend and reissue the financial statements.

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2025

	Note	Consolidated 2025 $	2024 $
Revenue and income			
Other income	5	992,167	559,676
Expenses			
Directors' fees and costs		(1,270)	(163,907)
Employee benefits expense		(61,075)	(125,453)
Share based payment expense	26	(27,242)	(24,635)
Consulting costs		(399,568)	(487,907)
Corporate expenses		(176,608)	(173,609)
Marketing expenses		(33,050)	(64,621)
Product development expenditure		(1,759,771)	(622,097)
Other expenses		(15,866)	(18,900)
Finance costs		(136,497)	(87,920)
Loss before income tax expense		(1,618,780)	(1,209,373)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Nexalis Therapeutics Ltd		(1,618,780)	(1,209,373)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Nexalis Therapeutics Ltd		(1,618,780)	(1,209,373)
		Cents	**Cents**
Basic loss per share	25	(0.751)	(0.567)
Diluted loss per share	25	(0.751)	(0.567)

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

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Statement of financial position
As at 31 December 2025

	Note	Consolidated 2025 $	2024 $
Assets			
Current assets			
Cash and cash equivalents	7	436,900	194,915
Trade and other receivables	8	914,634	446,896
Prepayments		81,086	70,589
Total current assets		1,432,620	712,400
Total assets		1,432,620	712,400
Liabilities			
Current liabilities			
Trade and other payables	9	1,638,539	741,983
Borrowings	10	426,109	34,062
Employee benefits		2,004	-
Total current liabilities		2,066,652	776,045
Non-current liabilities			
Borrowings	11	315,169	-
Employee benefits		1,323	321
Total non-current liabilities		316,492	321
Total liabilities		2,383,144	776,366
Net liabilities		(950,524)	(63,966)
Equity			
Issued capital	12	15,149,113	14,527,183
Reserves	13	(102,323)	(212,615)
Accumulated losses		(15,997,314)	(14,378,534)
Total deficiency in equity		(950,524)	(63,966)

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

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Statement of changes in equity
For the year ended 31 December 2025

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 January 2024	14,075,978	(241,346)	(13,169,161)	665,471
Loss after income tax expense for the year	-	-	(1,209,373)	(1,209,373)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,209,373)	(1,209,373)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	451,205	-	-	451,205
Share-based payments (note 26)	-	28,731	-	28,731
Balance at 31 December 2024	14,527,183	(212,615)	(14,378,534)	(63,966)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 January 2025	14,527,183	(212,615)	(14,378,534)	(63,966)
Loss after income tax expense for the year	-	-	(1,618,780)	(1,618,780)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,618,780)	(1,618,780)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	621,930	-	-	621,930
Share-based payments (note 26)	-	110,292	-	110,292
Balance at 31 December 2025	15,149,113	(102,323)	(15,997,314)	(950,524)

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

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Statement of cash flows
For the year ended 31 December 2025

	Note	Consolidated 2025 $	2024 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,375,205)	(1,092,587)
Interest received		5,733	3,652
Interest and other finance costs paid		(8,227)	(42,943)
R&D tax offset received		489,526	763,111
Net cash (used in) operating activities	24	(888,173)	(368,767)
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares		535,230	-
Proceeds from convertible notes		-	401,000
Proceeds from borrowings		1,021,506	-
Share issue transaction costs		(57,573)	(6,350)
Repayment of borrowings		(369,005)	(546,787)
Net cash from/(used in) financing activities		1,130,158	(152,137)
Net increase/(decrease) in cash and cash equivalents		241,985	(520,904)
Cash and cash equivalents at the beginning of the financial year		194,915	715,819
Cash and cash equivalents at the end of the financial year	7	436,900	194,915

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

Note 1. Material accounting policy information

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss from ordinary activities of $1,618,780 and had net cash outflows from operating activities of $888,713. As at that date, the consolidated entity current liabilities exceeded its current assets by $634,032 and had net liabilities of $950,524.

The above factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after considering the following factors:

- In November 2024, the company secured a funding facility of up to $38.5 million from Linlithgow Family Office Pty Ltd (‘**LFO’**) to fully cover the clinical trial costs, including the associated non-clinical work and trial drug manufacturing costs for the IRX-211 and IRX-616a drug development plans through to the completion of Phase 2 clinical trials. The funding agreement provides the company. access to up to $38.5 million in funding, which is expected to allow the Company to reach the Phase 3 pivotal stage for both IRX-211 and IRX-616a within the next 2-3 years. The facility can only be used to finance clinical costs. In November 2025, the company secured a further funding facility of up to $13.8 million from LFO to cover the addition of SRX-25;
- Since 31 December 2025, the company has issued 12,900,000 fully paid ordinary shares valued at 2.5 cents per share raising $322,500 before costs;
- Management has prepared a cash flow forecasts for the next 12 months from the date of this report which indicate the consolidated entity will have a positive cash balance during this period;
- The consolidated entity has the ability to raise additional capital under its general placement capacity. Based on previous successes raising capital, the Directors are confident that the consolidated entity will be able to raise additional capital as and when needed; and
- The consolidated entity expects to receive $898,719 in the coming months from its R&D tax rebate.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Note 1. Material accounting policy information (continued)

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 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nexalis Therapeutics Ltd ('company' or 'parent entity') as at 31 December 2025 and the results of all subsidiaries for the year then ended. Nexalis Therapeutics Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Board of Directors being the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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

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

R&D tax offset
R&D tax offset received in relation to overheads and expenditure not capitalised is recognised as other income when the right to receive payment is established.

Note 1. Material accounting policy information (continued)

Product development expenditure
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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.

Trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Material accounting policy information (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Employee benefits

Share-based payments

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

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

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

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Material accounting policy information (continued)

Loss per share

Basic loss per share
Basic loss per share is calculated by dividing the profit attributable to the owners of Nexalis Therapeutics Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share
Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2025. 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.

AASB 18 Presentation and Disclosure in Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2027 and early adoption is permitted. The standard replaces IAS 1 'Presentation of Financial Statements', with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The consolidated entity will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

Note 2. Critical accounting judgements, estimates and assumptions

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

R&D Expenditure
The Consolidated entity's research and development activities are eligible under the Australian R&D Tax Incentive. The Company has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. The Company 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.

Note 3. Differences from Preliminary Report

On 27 February 2026, the company released its Preliminary Report. The only material difference was an additional amount of $224,476 has been accrued in relation to R&D tax rebate has been accrued after completion of a review by company's tax agent.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segments: being development of unique medicinal products to address unmet medical needs . This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 5. Other income

	Consolidated	
	2025	**2024**
	$	**$**
Interest revenue	5,733	3,652
R&D tax rebate	986,434	401,811
Movement in fair value of financial derivative	-	154,213
Other income	992,167	559,676

Note 6. Income tax expense

	Consolidated 2025 $	Consolidated 2024 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,618,780)	(1,209,373)
Tax at the statutory tax rate of 30%	(485,634)	(362,812)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable income	(295,930)	(120,543)
Non deductible costs	31,760	295,203
Tax losses not bought to account	749,804	188,152
Income tax expense	-	-

	Consolidated 2025 $	Consolidated 2024 $
Australian tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	10,720,277	8,220,930
Potential tax benefit @ 30%	3,216,083	2,466,279

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2025 $	Consolidated 2024 $
Cash at bank	436,900	182,050
Cash on deposit	-	12,865
	436,900	194,915

Note 8. Current assets - trade and other receivables

	Consolidated 2025 $	Consolidated 2024 $
R&D tax rebate receivable	898,719	401,811
GST receivable	15,915	45,085
	914,634	446,896

Note 9. Current liabilities - trade and other payables

	Consolidated	
	2025	2024
	$	$
Trade payables	1,457,531	567,694
Other payables	181,008	174,289
	1,638,539	741,983

Note 10. Current liabilities - borrowings

	Consolidated	
	2025	2024
	$	$
Insurance premium funding	47,652	34,062
R& D Financing	378,457	-
	426,109	34,062

Refer to note 15 for further information on financial instruments.

In December 2024, the company drew down $369,000 under its R&D tax offset finance facility. The loan is due for repayment on the earlier of receipt of the company's R&D tax offset for the year ended 31 December 2025. Interest is payable at 17% under this facility. The loan is secured against the company R&D tax offset receivable.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	2025	2024
	$	$
Funding facility	315,169	-

Refer to note 15 for further information on financial instruments.

The company has entered into a funding facility of up to $38.5 million from Linlithgow Family Office (LFO) to fully cover the clinical trial costs, including the associated non-clinical work and trial drug manufacturing costs for the IRX-211 and IRX-616a drug development plans through to the completion of Phase 2 clinical trials (the **Facility**) over the next 2-3 years.

Amounts drawn down under the Facility will attract interest at 15% p.a, capitalised monthly with terms tied to the completion of Phase 2 trials for IRX-211 and IRX 616a.

During the year, $652,501 was drawn down under this facility and $369,005 was repaid from proceeds from R&D funding. Total interest of $31,673 has been accrued to date.

In November 2025, the company secured a further funding facility of up to $13.8 million from LFO to cover the addition of SRX-25. This facility has not been drawn on at the time of signing of this report.

Note 12. Equity - issued capital

	Consolidated			
	2025	2024	2025	2024
	Shares	Shares	$	$
Ordinary shares - fully paid	239,357,323	213,448,224	15,149,113	14,527,183

Note 12. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2024	189,766,957		14,075,978
Issue of shares to settle CEO fees	3 October 2024	3,444,828	$0.0289	99,900
Issue of shares upon conversion of notes	23 October 2024	17,969,880	$0.0157	281,765
Issue of shares to settle directors fees	16 December 2024	2,266,559	$0.3348	75,890
Less cost of capital raised		-	$0.0000	(6,350)
Balance	31 December 2024	213,448,224		14,527,183
Issue of shares to settle CEO fees	2 October 2025	4,499,914	$0.0333	149,850
Issue of shares	9 December 2025	17,100,000	$0.0250	427,500
Issue of shares	23 December 2025	4,309,185	$0.0250	107,730
Less cost of capital raised		-	$0.0000	(63,150)
	31 December 2025	239,357,323		15,149,113

Ordinary shares
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.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to focus on the development of unique medicinal products to address unmet medical needs.

The capital risk management policy remains unchanged from the 31 December 2024 Annual Report.

Note 13. Equity - reserves

	Consolidated	
	2025	2024
	$	$
Share-based payments reserve	228,787	118,495
Non-controlling interest derecognised	(331,110)	(331,110)
	(102,323)	(212,615)

Note 13. Equity - reserves (continued)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Non-controlling interest derecognised
This reserve is used to recognise the non-controlling interest at the time of gaining a 100% ownership interest in a subsidiary.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	NCI derecognised $	Share-based payments $	Total $
Balance at 1 January 2024	(331,110)	89,764	(241,346)
Share based payments	-	28,731	28,731
Balance at 31 December 2024	(331,110)	118,495	(212,615)
Share based payments	-	110,292	110,292
Balance at 31 December 2025	(331,110)	228,787	(102,323)

Note 14. Equity - dividends

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

Note 15. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by the board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

The consolidated entity's financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables, all of which are recognised at amortised cost.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity does not hedge.

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

The consolidated entity is not exposed to any significant foreign exchange risk.

Price risk
The consolidated entity is not exposed to any significant price risk.

Note 15. Financial instruments (continued)

Interest rate risk
The consolidated entity is not exposed to significant interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity is not generating revenue and therefore is not exposed to significant credit risk. All cash balances are held with reputable financial institutions.

Liquidity risk
Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents).

The consolidated entity manages liquidity risk by maintaining adequate cash reserves continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Refer to note 1 going concern for details of how the board is managing the consolidated entity's liquidity risk.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2025	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	1,638,539	-	-	-	1,638,539
Interest-bearing - fixed rate						
Funding facility	15.00%	-	315,169	-	-	315,169
Insurance premium funding	14.11%	47,652	-	-	-	47,652
R&D facility	17.00%	378,457	-	-	-	378,457
Total non-derivatives		2,064,648	315,169	-	-	2,379,817

Consolidated - 2024	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	273,306	-	-	-	273,306
Interest-bearing - fixed rate						
Insurance premium funding	11.20%	34,062	-	-	-	34,062
Total non-derivatives		307,368	-	-	-	307,368

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
None of the consolidated entity's financial instrument have been restated at fair value after initial recognition.

Note 16. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2025	2024
	$	$
Short-term employee benefits	60,941	247,581
Post-employment benefits	6,057	8,303
Share-based payments	27,241	24,635
Share issued in lieu of fees	149,850	175,790
	244,089	456,309

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	Consolidated	
	2025	2024
	$	$
Audit services - RSM Australia Partners		
Audit or review of the financial statements	55,500	56,500
Other services - RSM Australia Partners		
Taxation and R&D incentive consulting	49,700	-
	105,200	56,500

Note 18. Contingent asset and liabilities

The consolidated entity had no contingent assets and liabilities at the end of the current or prior financial year.

Note 19. Commitments

The consolidated entity had no commitments at the end of the current or prior financial year.

Note 20. Related party transactions

Parent entity
Nexalis Therapeutics Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

Note 20. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2025	**2024**
	$	**$**
Payment for goods and services:		
Development costs incurred with Ingenu CRO (an entity related to Darryl Davies)	860,917	558,070
Consulting services provided by Dr Sud Argawal (a director of Cannvalate Pty Ltd)	27,228	55,000

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2025	**2024**
	$	**$**
Current payables:		
Trade payables Ingenu CRO (an entity related to Darryl Davies)	1,415,686	468,677
Fees payable to key management personnel	37,462	67,001
Fees payable to Dr Sud Argawal	95,298	68,070

Loans to/from related parties
During the prior year, Cannvalate Pty Ltd provided a total $199,000 under convertible note agreements. This balance included accrued interest was converted in full on 23 October 2024.

Note 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2025	**2024**
	$	**$**
Loss after income tax	(1,618,780)	(1,209,373)
Total comprehensive loss	(1,618,780)	(1,209,373)

Note 21. Parent entity information (continued)

Statement of financial position

	Parent	
	2025	**2024**
	$	**$**
Total current assets	1,432,620	712,400
Total assets	1,432,620	712,400
Total current liabilities	2,066,652	776,045
Total liabilities	2,383,144	776,366
Equity		
Issued capital	15,149,113	14,527,183
Share-based payments reserve	228,787	118,495
Accumulated losses	(16,328,424)	(14,709,644)
Total deficiency in equity	(950,524)	(63,966)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has provided no guarantees in relation to the debts of its subsidiaries at the end of the current and prior financial year.

Contingent liabilities
The parent entity had no contingent liabilities as at the end of the current and prior financial year.

Contractual commitments
The parent entity had no commitments as at the end of the current and prior financial year.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2025 %**	**2024 %**
Seng-Vital Pty Ltd	Australia	100.00%	100.00%

Significant restrictions
There are no significant restrictions over the consolidated entity's ability to access or use assets, and settle liabilities of the consolidated entity.

Note 23. Events after the reporting period

On 9 January 2026, the company issued 6,900,000 fully paid ordinary shares valued at 2.5 cents per share raising $172,500 before costs.

Note 23. Events after the reporting period (continued)

On 30 January 2026, the company issued 4,025,619 performance rights to directors in lieu of their fees.

On 12 February 2026, the company announced that it had changed its name to Nexalis Therapeutics Ltd. From 17 February 2026, the company's securities were listed under ASX ticker code of NX1.

On 17 February 2026, the company issued 6,000,000 fully paid ordinary shares valued at 2.5 cents per share raising $150,000 before costs. On the same date, the company also issued 15,000,000 free attaching options expiring on 22 December 2027 with an exercise price of 4.2 cents. The company issued a further 6,000,000 options on the same terms to brokers as remuneration for services provided.

On 23 February 2026, the company issued 780,000 fully paid valued at $19,500 to settle corporate advisory fees.

No other matter or circumstance has arisen since 31 December 2025 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.

Note 24. Reconciliation of loss after income tax to net cash (used in) operating activities

	Consolidated	
	2025	**2024**
	$	**$**
Loss after income tax expense for the year	(1,618,780)	(1,209,373)
Adjustments for:		
Share-based payments	110,292	24,635
Fair value gain on derivative liability	-	(154,212)
Non cash interest	41,125	34,977
Shares issued to settle fees to key management personnel	149,850	175,790
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(467,738)	355,466
Increase in other operating assets	(10,497)	(7,790)
Increase in trade and other payables	890,979	391,315
Increase/(decrease) in employee benefits	3,006	(149)
Increase in other operating liabilities	13,590	20,574
Net cash (used in) operating activities	(888,173)	(368,767)

Note 25. Loss per share

	Consolidated	
	2025	**2024**
	$	**$**
Loss after income tax attributable to the owners of Nexalis Therapeutics Ltd	(1,618,780)	(1,209,373)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	215,682,924	213,448,224
Weighted average number of ordinary shares used in calculating diluted earnings per share	215,682,924	213,448,224

Note 25. Loss per share (continued)

	Cents	Cents
Basic loss per share	(0.751)	(0.567)
Diluted loss per share	(0.751)	(0.567)

Note 26. Share-based payments

Options

During the current year a total of 1,500,000 options over ordinary shares issued to key management personnel. A total expense of $20,699 has been recognised in relation to these options.

During the prior year 2,000,000 options were issued to key management personnel as part of their remuneration under the company's employee share option plan. An overall share based payment expense of $24,635 was recognised during the year

The Company also issued 38,449,145 under its lending facility in the prior year. A Monte Carlo simulation has been used to determine the fair value of share-based payment awards with market-based conditions. The simulation model considers expected share price volatility of 111%, a risk-free interest rate of 3.824%, and an expected vesting period of 2.5 years. The total share-based payment expense recognized during the year was $83,050. The fair value measurement falls under Level 3 of the fair value hierarchy.

Set out below are summaries of options granted under the plan:

	Number of options 2025	Weighted average exercise price 2025	Number of options 2024	Weighted average exercise price 2024
Outstanding at the beginning of the financial year	49,499,145	$0.0403	9,000,000	$0.1778
Granted	24,654,603	$0.0470	40,449,145	$0.0262
Expired	(1,250,000)	$0.2000	-	$0.0000
Outstanding at the end of the financial year	72,903,748	$0.0667	49,449,145	$0.0403
Exercisable at the end of the financial year	34,654,603	$0.0667	11,000,000	$0.0403

For the options granted during the year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Issue date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
07/07/2025	07/07/2028	$0.3000	$0.1200	117.00%	-	3.43%	$0.0140
23/10/2025	23/10/2028	$0.0000	$0.1200	-	-	-	$0.0130

The weighted average remaining life of options was 2.91 years (2024: 4.23 years).

Performance rights

During the year, a total of 3,324,926 performance rights were issued to key management personnel as part of their remuneration. These had various non-market based vesting conditions. Management assessed the probability of the vesting condition being met, adjusted the grant date share price for the assessed probability. This value is being recognised over the expected vesting period of these rights. A total expense of $6,543 has been recognised in relation to these performance rights.

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Consolidated entity disclosure statement
As at 31 December 2025

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Seng-Vital Pty Ltd	Body Corporate	Australia	100.00%	Australia

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Directors' declaration
31 December 2025

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, based on the factors outlined in note 1 going concern to the financial statements.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors

Sean Williams
Director

31 March 2026

RSM Australia Partners

Level 27, 120 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

To the Members of Nexalis Therapeutics Ltd and its controlled entities

Opinion

We have audited the financial report of Nexalis Therapeutics Ltd, formerly known as InhaleRx Limited, ('the Company') and its controlled entities (together 'the Consolidated entity'), which comprises the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

(i) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2025 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Certified System Quality ISO 9001

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that during the year ended 31 December 2025 the Consolidated entity incurred a loss of $1,618,780 and had net cash outflows from operating activities amounting to $888,173. Also, it indicates that, as at 31 December 2025, the Consolidated entity's current liabilities exceeded its current assets by $634,032 and the Consolidated entity had a net liability position of $950,524. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Product development expenditure Refer to Note 1 Material accounting policy information in the financial statements	
The Consolidated entity incurred $1,759,771 in relation to Product development expenditure of ongoing projects, including preparation work to commence phase 2 clinical trials of the IRX211 THC based synthetic cannabinoid project. These activities are the primary business of the Consolidated entity, which is deemed to be still in 'research phase'. Accordingly, these expenses have been recognised in the profit or loss as incurred in line with AASB 138 *Intangible Assets* ('AASB 138'). We considered the accounting of Product development expenditure to be a key audit matter because it is the Consolidated entity's main business activity and represents its most significant expense. In addition, management is required to exercise significant judgment to determine whether a particular project is categorised to be in 'research' or 'development' phase, which then determines the appropriate accounting treatment in the financial statements.	Our audit procedures in relation to this matter included: • Holding discussions with management regarding the current status of the projects to gather an understanding of management's conclusion that the projects are still being in the 'research phase' as defined by AASB 138; • Gathering an understanding the entity level of controls (in particular regarding control activities relevant to procurement, payables and payments). This procedure included an evaluation of the effectiveness of the design of the controls in place; and • Performing substantive tests of detail by agreeing a sample of expenses to supporting documentation to understand the nature of the expenditure incurred and to verify the accuracy and existence of the recorded expenses.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 31 December 2025; but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of

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

b) The consolidated entity disclosure statements that is true and correct in accordance with the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of:

   i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

   ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement whether due to fraud and error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated entity 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 Consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 31 December 2025.

In our opinion, the Remuneration Report of Nexalis Therapeutics Ltd, for the year ended 31 December 2025, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

RSM AUSTRALIA PARTNERS

R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 31 March 2026

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Shareholder information
31 December 2025

The shareholder information set out below was applicable as at 11 March 2026.

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	29	-
1,001 to 5,000	82	0.12
5,001 to 10,000	97	0.32
10,001 to 100,000	228	3.45
100,001 and over	136	96.11
	572	100.00
Holding less than a marketable parcel	259	1.00

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
CANNVALATE PTY LTD	48,330,887	19.10
NIV DAGAN	35,021,980	13.84
PYXIS HOLDINGS PTY LTD (THE MAPLETREE A/C)	19,949,999	7.88
FINCLEAR SERVICES PTY LTD (SUPERHERO SECURITIES A/C)	10,704,611	4.23
MCANN INVESTMENTS PTY LTD	8,000,000	3.16
DARRYL DAVIES	7,944,742	3.14
AD PHARMA SERVICES LTD	6,900,000	2.73
DR DAVID JAMES WALLAND	6,759,032	2.67
PARIM SINGH HARMAN SINGH	6,249,999	2.47
DOSSMAN PTY LTD	6,102,037	2.41
BNP PARIBAS NOMINEES PTY LTD(CLEARSTREAM)	5,121,605	2.02
PIPER MADISON	5,121,541	2.02
MR MICHAEL JAMES REID	4,650,500	1.84
MR SEAN CHRISTOPHER REEVES	4,633,996	1.83
SASSEY PTY LTD	4,006,302	1.58
RUNNING WATER LTD	4,000,000	1.58
BNP PARIBAS NOMS PTY LTD	3,069,901	1.21
MR DUNCAN PAUL CARROLL	2,056,260	0.81
MR SHAWN YAPP	1,510,000	0.60
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,508,449	0.60
	191,641,841	75.72

Unquoted equity securities
A total of 73,103,748 unlisted options over ordinary shares and 7.350,545 performance rights on issue.

Nexalis Therapeutics Ltd
(Formerly known as InhaleRx Limited)
Shareholder information
31 December 2025

Substantial holders
The number of shares held by substantial shareholders and their associates, as disclosed in substantial holder notices are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
CANNVALATE PTY LTD	48,330,887	19.10
10 BOLIVIANOS PTY LTD	31,739,967	12.54
PYXIS HOLDINGS PTY LTD (THE MAPLETREE A/C)	18,949,999	7.49

Voting rights
The voting rights attached to ordinary shares are set out below:

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

Options and performance rights
Option and performance rights holders have no voting rights.