AdAlta

next generation protein therapeutics

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2023

ADALTA LTD
ABN 92 120 332 925

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CORPORATE DIRECTORY

DIRECTORS

Dr Paul MacLeman

Dr Timothy Oldham

Dr Robert Peach

Dr David Fuller

Ms Elizabeth McCall (Resigned on 24 March 2023)

Dr James Williams (Alternate to Elizabeth McCall) (Resigned on 24 March 2023)

COMPANY SECRETARY

Mr Cameron Jones

REGISTERED OFFICE

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AUDITOR

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Sydney, NSW 2000
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STOCK EXCHANGE LISTING

AdAlta Limited shares are listed on the Australian Securities Exchange.

ASX CODE

1AD

WEBSITE

www.adalta.com.au

CHAIR'S LETTER

Dear fellow shareholder,

During FY23, we were pleased to maintain momentum, while further extending both the value and scope of AdAlta's portfolio of i-body enabled assets.

Our lead product, AD-214, is a first in class, next generation antibody therapeutic for the treatment of fibrotic diseases including lung fibrosis (specifically Idiopathic Pulmonary Fibrosis (IPF) and Interstitial Lung Disease (ILD)), kidney fibrosis, eye fibrosis and some cancers.

Our priority for AD-214 is to attract partnerships or other sources of non-dilutive capital to secure the funds necessary to progress Phase II clinical studies in IPF or kidney fibrosis. To enable this, AdAlta is making highly targeted, limited investments in studies that generate meaningful new data to further derisk future clinical development and to address key questions that partners are asking or will likely ask.

Consistent with this strategy, we shared important new data correlating AD-214 Phase I pharmacokinetic and receptor occupancy outcomes with potential efficacy and commenced a Phase I extension clinical study to extend the safety profile of AD-214 and refine Phase II dose selection.

Using an ex vivo model of a key fibrotic process, AdAlta was able to reproduce the receptor occupancy profile seen in our earlier Phase I trial and simultaneously show that 57-85% receptor occupancy was sufficient for maximal inhibition of the model fibrotic process, cell migration, and that material inhibition could be achieved at receptor occupancy as low as 11-47%.

This data provides increased confidence that clinically viable intravenous dosing with a single IV infusion at no more than two weekly intervals could be efficacious. It also provides the tools to select doses and dose regimens for Phase II clinical studies with greater confidence in their likely therapeutic efficacy, substantially reducing the risk of these studies.

The studies that generated the new data were technically demanding and we are very proud of the team who performed them.

At the time of writing, we had just announced that the first participants had been dosed in our AD-214 Phase I extension clinical study. The study sees us return to the clinic at least 12 months earlier than would be possible for a full Phase II program. Interim results are expected in the December quarter and the final healthy volunteer dose is planned to be administered before the end of 2023, with top line results in January 2024.

This study creates value for partners and enhances licensing transaction potential by extending the safety profile of multiple doses of AD-214 to doses that will likely be tested in Phase II and providing additional data to support the dosing regimen in Phase II studies. This reduces the time required for dose escalation at the beginning of Phase II studies.

A summary of our programs outside of AD-214 can be found available in both Dr Tim Oldham's CEO report, and the operational review.

Through the period we announced that Yuuwa Capital, who had been a longstanding major shareholder, successfully concluded the anticipated closure of its fund. The enduring support we received from Yuuwa throughout many years has been immensely valuable for our company, and we express our sincere gratitude. We extend a warm welcome to the principal stakeholders of Yuuwa, who subsequently became significant shareholders of AdAlta.

FY23 again presented a challenging capital markets landscape for the biotechnology sector, where a significant number of global biotech enterprises continue to find themselves trading at, or even below, valuations aligned with their available cash reserves.

We extend our sincere gratitude to both longstanding shareholders and those who have recently joined our us, for their active participation in our Rights Offer through the period and oversubscribed Shortfall placed post period end. Your support propels us closer to achieving important therapeutic advancements for fibrosis and cancer patients and realizing returns on the investments made in our programs to date.

Paul MacLeman
Chair

CEO AND MANAGING DIRECTOR'S LETTER

AdAlta's core mission revolves around developing an exceptional, next-generation pipeline of protein and cell therapy products addressing diseases that are elusive for conventional antibodies. In short, we aim to go where antibodies cannot.

What really drives us though, are the patients desperate for new approaches to disease because what they have is inadequate.

As I write to you, Bill Van Nierop, who many of you will have met at previous AdAlta investor days, is preparing to launch his kayak for his second marathon paddle. The trip will see him paddle 1400 km of the Murrumbidgee River from Jugiong near Canberra to west of Balranald, where the Murrumbidgee meets the Murray River.

Bill was diagnosed in 2015 with the progressive and incurable lung disease, Idiopathic Pulmonary Fibrosis (IPF). In 2021, he was fortunate to receive a double lung transplant, making Bill a rare survivor. He said, "I've been given a second chance and I'm not going to waste it."

Bill is embarking on his Long Kayak for Lungs 2 to raise awareness of lung disease and raise funds for research to improve outcomes for those impacted by this debilitating and fatal but little understood disease. We are proud to support his initiative.

While our lead i-body enabled candidate, AD-214 has been shown to hold promise in many different fibrotic diseases, IPF is the very definition of unmet need. The existing marketed therapies slow but do not halt disease and come with debilitating side effects. Through our work with AD-214, we are hoping to bring forward a new therapy to help patients like Bill.

It is an exciting time for AD-214, with the molecule now returned to the clinic earlier than previously forecast and important new data generated as described in the Chair's letter. We anticipate interim results from this study in the December 2023 quarter and top line results in the first quarter of 2024.

In tandem, we have been working on securing suppliers for essential toxicology studies and manufacturing campaigns necessary to initiate Phase II studies, while deferring the substantial costs of these studies until appropriate funding is secured.

We have also been able to progress our other i-body programs. We are excited about the potential role for i-bodies in bringing the power of CAR-cell therapies to patients with solid tumors and have progressed our first i-CAR-T product under our collaboration with Carina Biotech into pilot in vivo efficacy studies in mice and are currently evaluating those results to define next steps. We have commenced discovery activities on two further targets as part of this collaboration.

We continued our collaboration with GE Healthcare to develop i-body enabled granzyme B PET imaging agents for use in immuno-oncology. We are encouraged by the progress of GPCR Therapeutics' evaluation of several CXCR4 i-bodies in cancer applications under the collaboration announced in October 2022. Importantly initial studies have successfully replicated AdAlta i-body results in in vitro cell based assays.

Associated with this, through FY23 and beyond, we have been pleased with the progress of our business and corporate development activities, with a focus on securing a return on our investment in AD-214, expanding our "business as usual" collaboration pipeline, and evaluating complementary products and technologies.

At the Bio Industry Organisation BIO2023 partnering conference, AdAlta advanced discussions with multiple potential partners for AD-214. In general, partners respond positively to AD-214's novel model of action and potential for multiple routes of administration. Importantly, the Phase I extension study materially enhances partner interest. The new data linking our prior Phase I results and efficacy at clinically convenient dosing regimens is perceived to fill an important gap and reduce risk. These discussions increase and validate our confidence in the therapeutic potential of AD-214 and our ability to secure strategic partnerships.

Our "business as usual" partnering program focusses on additional co-discovery and co-development collaborations that bring new skills and research funding. AdAlta received and is evaluating three unsolicited expressions of interest from BIO23 in one of our early discovery programs, demonstrating the continued industry awareness and appreciation of the potential of the i-body platform.

We recognize that clinical stage assets with near term milestones and commercial transactions are key to growing our company and creating value for shareholders, particularly in the current environment. We are continuously evaluating such assets and technology platforms where there are clear synergies with our i-body platform and existing skills. The Company is encouraged by the progress of several of these opportunities and investor support for them.

I extend my heartfelt gratitude to the entire AdAlta team and our Board for their contributions throughout the year. A special acknowledgment goes out to the dedicated volunteers participating in our clinical trials. Your contributions are key to advancing AD-214 for the benefit of patients in need.

Finally, my sincere appreciation goes to our valued collaborators, patients and shareholders, whose enduring support serves as a constant source of motivation and encouragement.

Tim Oldham

CEO and Managing Director

DIRECTORS' REPORT

The Directors of AdAlta Limited ("AdAlta" or "the Company") submit herewith the Annual Report of the Company for the financial year ended 30 June 2023. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Dr Paul MacLeman

MBA, BVSc, Grad Dip Tech, Grad Cert Eng, FAICD, MATT

Chairman, joined the board 16 April 2015. Paul has over 25 years' experience across all phases of the life sciences sector. With a career-spanning veterinary practice, pharmaceutical development and manufacturing, biotechnology, diagnostics and finance, Paul has expertise in capital management, business development, technology commercialisation and sales & marketing globally. Paul has launched products using both in-house and outsourced sales staff in Australia and the US. He has founded life sciences start-ups in the biologics area and worked in investment banking focusing on the analysis and financing of technology companies. Paul has previously served as Chairman, Director or Managing Director/CEO of several VC funded, ASX, NASDAQ, CSE and TSX listed companies and has driven a number of IPOs. Paul Chaired the Industry Review Committee for the Pharmaceutical Manufacturing National Training Package for the AISC for approximately 10 years prior to the establishment of the new Jobs and Skills Councils and advises the new formed Manufacturing Industry Skills Alliance. He is also an expert advisor to PharmaVentures plc. (Oxford, UK) and serves on a number of other NFP and government advisory groups. He currently Chairs or is a Non-Executive Director of a number of public unlisted and private companies. Paul is the Executive Chairman of Island Pharmaceuticals Limited (ASX:ILA).

Dr David Fuller

MBBS, BPharm(Hons)

Non-Executive Director, appointed 22 July 2020. David has over 30 years' experience in pre-clinical, clinical development, medical and regulatory affairs with specialisations in early phase development and oncology. He has led five product approvals in the United States (US) and European Union (EU) for orphan and major market products, together with multiple Regulatory Agency (US/EU) interactions including Investigational New Drug (IND) applications. David has designed and executed multiple Phase I – III studies in US, EU and Asia across multiple therapeutic areas. David is currently Chief Medical Officer for Aucentra Therapeutics and is also Chair of EpiAxis Therapeutics Pty Ltd. Previously David was Chief Medical Officer at Race Oncology (ASX:RAC), Senior Vice President, Oncology, Syneos Health, a Non-Executive Director of Linear Clinical Research Ltd – a Perth based clinical trials facility – and a former Chair of Dimerix Ltd (ASX:DXB). David holds Bachelor of Medicine/Bachelor of Surgery and Bachelor of Pharmacy degrees from University of Sydney.

Dr Timothy Oldham

BSc(Hons), LLB (Hons), PhD

Managing Director and CEO, joined the Board on 8 October 2019. Tim has more than 20 years of life sciences business development, alliance management, portfolio and product development, and commercialisation experience in Europe, Asia and Australia, with a particular focus on biologics, cell and gene therapies and pharmaceutical products. Tim was appointed CEO and MD in October 2019. Immediately prior to this, he was Executive Leader of Tijan Ventures, an advisory business focused on growing life sciences companies through strategic advisory and interim CEO, executive and non-executive leadership services, with a particular focus on biologics, cell and gene therapies and immunotherapy. Previous roles include CEO and Managing Director of Cell Therapies Pty Ltd, a leading contract manufacturer and distributor cellular therapies in Asia Pacific, President of Asia Pacific for Hospira, Inc., and a variety of senior management roles with Mayne Pharma Ltd prior to its acquisition by Hospira. Prior to this, Tim was an engagement manager with McKinsey & Company. He currently serves as a Director of BioMelbourne Network Inc and as a Non-executive Director at Acrux Ltd (ASX:ACR).

Dr Robert Peach

BSc, MSc, PhD

Non-Executive Director, appointed 14 November 2016. Robert has 30 years of drug discovery and development experience in the Pharmaceutical and Biotechnology industry. In 2009 he co-founded Receptos, becoming Chief Scientific Officer and raising US$59M in venture capital and US$800M in an IPO and three subsequent follow-on offerings. In August 2015 Receptos was acquired by Celgene for $7.8B. Robert held senior executive and scientific positions in other companies including Apoptos, Biogen Idec, IDEC and Bristol- Myers Squibb, supporting in-licensing, acquisition and venture investments. His extensive drug discovery and development experience in autoimmune and inflammatory diseases, and cancer has resulted in multiple drugs entering clinical trials and 4 registered drugs. He currently serves on the Board of Directors of Amplia Therapeutics (ASX:ATX), Rekover Therapeutics and is a Scientific Advisory Board member of Eclipse Bioinnovations. Robert is the co-author of 75 scientific publications and book chapters, and 17 patents. He was educated at the University of Canterbury and the University of Otago, New Zealand.

Ms Elizabeth (Liddy) McCall
LLB., B.Juris,B.Com (Hons), GDipApFin (SIA), GAICD

Liddy resigned as Non-Executive Director on 24 March 2023.

Dr James Williams
BSc (Hons), MBA, PhD, GAICD

James resigned as Alternate Non-Executive Director on 24 March 2023.

The above-named Directors held office during the whole of the financial year and since the end of the financial year, unless otherwise indicated. The Company is undertaking a search for a suitably financially qualified director to replace Ms McCall.

Company Secretary

The name and particulars of the Company Secretary of the Company during or since the end of the financial year are:

Cameron Jones
B.Bus, CA,GIA(Cert)

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

Directors' shareholdings as at the date of this report

The following table sets out each Director's relevant interest in shares, debentures and rights or options in shares or debentures of the Company as at the date of this report:

Directors	Fully paid ordinary shares	Unlisted Options	Listed options (ASX:1ADOA)
	(Number)	(Number)	(Number)
Dr Paul MacLeman	472,970	3,055,000	-
Dr Timothy Oldham	1,101,750	6,129,090	300,000
Dr Robert Peach	1,453,126	1,200,000	-
Dr David Fuller	294,936	1,200,000	42,134

Dividends

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

Shares under option as at the date of this report

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
78,075,186	Ordinary	$0.03	29 May 2024
400,000	Ordinary	$0.1744	15 March 2025
4,929,060	Ordinary	$0.2479	26 November 2025
6,655,000	Ordinary	$0.0845	29 November 2025
600,000	Ordinary	$0.0757	28 February 2026
1,600,000	Ordinary	$0.0397	27 February 2027

The holders of these options do not have the right to participate in any share issue of the Company without first exercising the options in accordance with the terms of any such share issue.

Indemnity and insurance of officers and auditors

During the financial year, the Company paid a premium in respect of a contract that insures the Directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer 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.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board[1]		Remuneration and Nomination Committee[1]		Audit and Risk Committee[1]	
	Attended	Held	Attended	Held	Attended	Held
Dr Paul MacLeman	7	7	3	3	2	2
Dr Timothy Oldham	7	7	-	-	-	-
Ms Elizabeth McCall[2]	4	5	2	2	1	2
Dr Robert Peach	7	7	3	3	2	2
Mr David Fuller	7	7	1	1	-	-
Dr James Williams[3]	5	7	2	2	1	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

[1] The June 2022 Board meeting and Remuneration and Nomination Committee meeting was rescheduled to 1 July 2022. In total 6 Board meetings were conducted in respect of the financial year 2023. All non-executive directors are invited to attend all committee meetings regardless of committee membership. Only committee members are entitled to vote on resolutions of the committees.

[2] Liddy McCall resigned as non-executive director 24 March 2023.

[3] James Williams resigned as alternate non-executive director on 24 March 2023.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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.

Operating and financial review

Summary of principal activities

AdAlta Ltd (ASX:1AD, AdAlta or the Company) is a clinical stage drug discovery company developing next generation protein and cell-based therapeutics.

The Company is using its proprietary i-body® technology platform to solve drug targeting problems that challenge traditional antibodies and in doing so generate a pipeline of protein and cell therapeutics with the potential to treat some of today's most challenging medical conditions.

i-bodies are a novel class of small, targeted proteins that mimic the properties of the unique and versatile single domain antibodies found in the shark immune system: they are the first fully human, single domain antibody-like proteins.
i-bodies are a powerful drug discovery tool to engage targets that are intractable for traditional antibodies. i-bodies have been engineered so their unique properties (small size, stability and long, flexible binding domain) make them ideally suited for addressing drug targets considered challenging or 'undruggable' by traditional antibody therapies. They can also be coupled to diverse therapeutic or diagnostic "cargoes", enabling these cargoes to be delivered to difficult to reach targets within the human body. Figure 1 illustrates some of the many ways that i-bodies can be used to generate novel pharmaceutical products.

The primary focus of the FY2023 year was to progress the development of AdAlta's lead i-body enabled candidate; progress partnered immuno-oncology programs via collaborations with Carina and GE Healthcare; and to expand internal programs and business development activities.

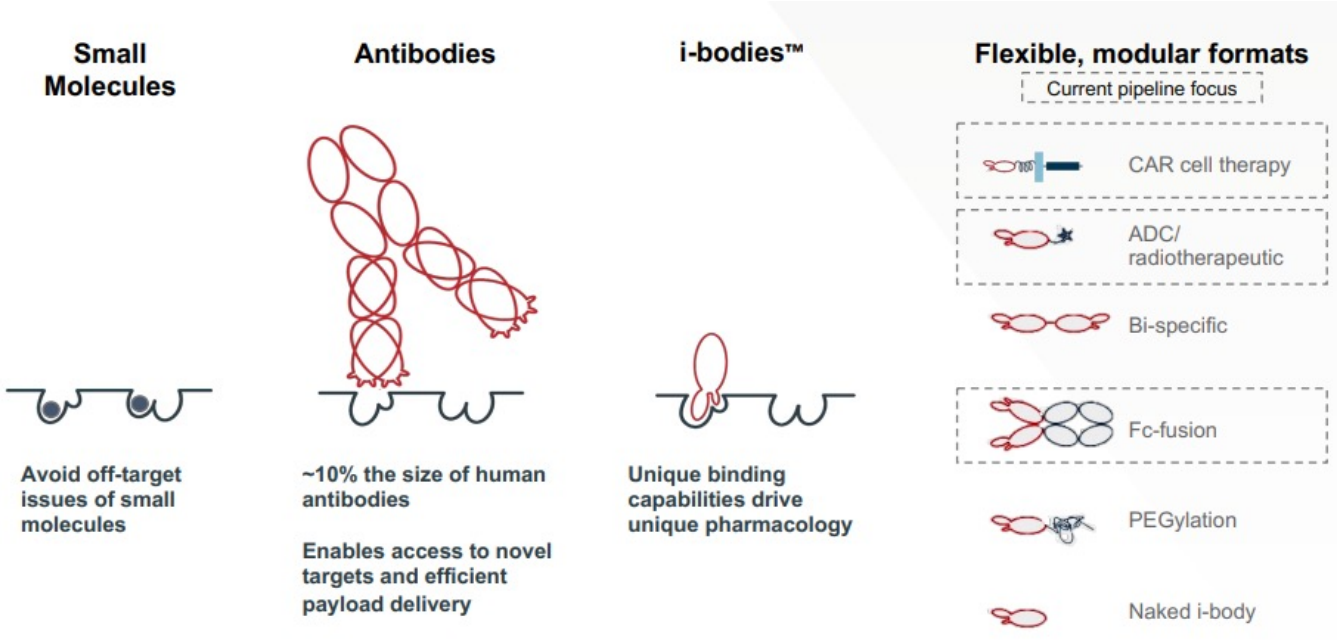

Figure 1: Features and applications of i-bodies

Company strategy

AdAlta's purpose is produce a high-value, next generation protein and cell therapy product pipeline for diseases where traditional antibodies are ineffective.
The Company is focused on developing both its discovery business and its product development business, as indicated in Figure 2. AdAlta creates value by:

(a) Discovering new protein and cell therapeutics exploiting the unique capabilities of its i-body® platform. The current focus is on difficult to access targets such as G-protein coupled receptors (GPCRs) that are implicated in many serious diseases and on components enabling engineering of multifunctional CAR cell therapies.

(b) Progressing or developing product candidates through pre-clinical studies, product development and early-stage clinical trials. The current focus is in the fields of inflammation/ fibrosis and immuno-oncology.

This value is converted to revenue by:

(a) Partnering with biotechnology and biopharmaceutical companies to co-discover and co-develop i-body enabled products for targets identified by these partners. In return AdAlta receives research fees, development and commercialisation milestones, and royalties.

(b) Out-licensing i-body products developed by AdAlta at various stages of discovery, preclinical or early clinical development to larger biopharmaceutical and biotechnology companies. In return AdAlta receives upfront payments, further development and commercialisation milestones, and royalties.

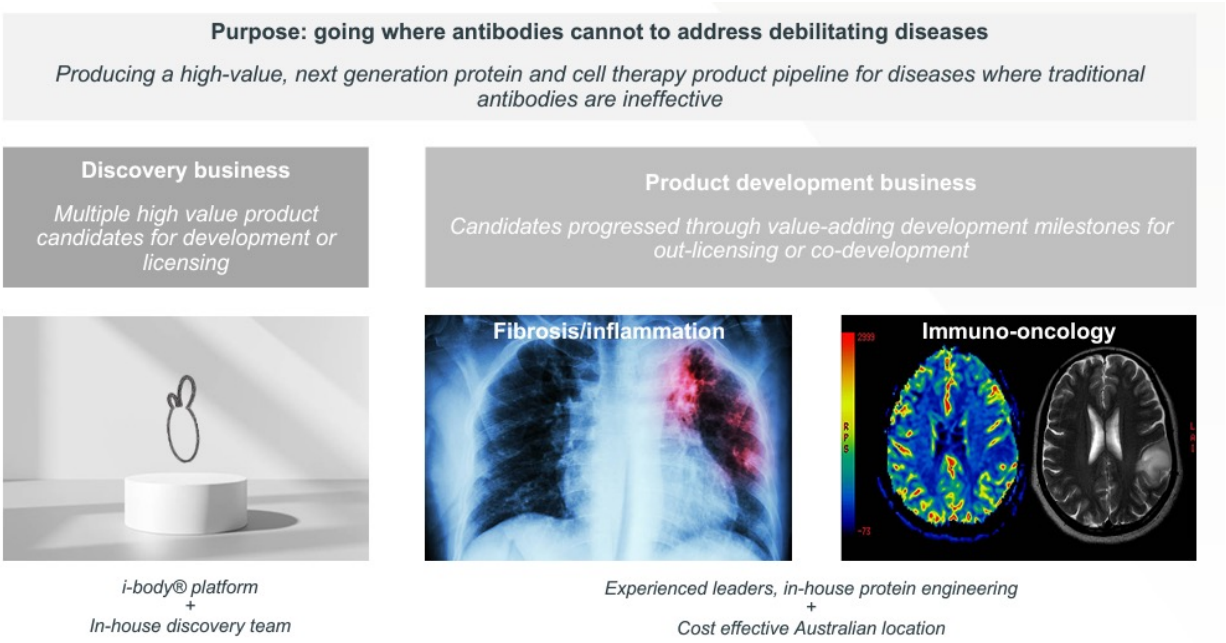

Figure 2: AdAlta's company strategy is focused on its discovery and product development businesses

Strategic priorities

AdAlta's growth and continued success depends on the Company executing the three key processes:

1. Discovering an inventory of well characterised i-bodies against therapeutic targets that:

   a) are difficult for traditional antibodies to address; and

   b) are in demand by potential partners;

2. Progressing selected i-body-enabled products towards clinical trials, with a focus on opportunities that have the shortest time and lowest cost to achieve valuable inflection points such as pre-clinical or clinical evidence of efficacy;
3. Entering co-discovery, co-development and licensing collaborations with other biopharmaceutical companies to progress i-body discovery programs, product development programs and/or to access complementary technology to enable acceleration of product development opportunities.

The Company's near term strategic priorities are:

A. Realising a return on investments in AD-214 by out-licensing the molecule or otherwise obtaining non-dilutive financing for Phase II clinical trials.

B. Progress existing and add new i-CAR and other i-body collaboration programs.

C. Invest in the i-body® platform to maintain competitive advantage, increase inventory of characterised i-bodies against valuable targets and access complementary assets and technology to enhance the clinical stage pipeline.

Significant milestones achieved during the reporting period

· Entered collaboration with GPCR Therapeutics (Korea) to evaluate CXCR4-binding i-bodies in combination with beta blockers for treatment of cancer (October 2022)

· Demonstrated proof of principle that AD-214 could be delivered via inhalation for IPF, providing a life cycle extension strategy for partners (November 2022)

· Second Japanese patent protecting AD-214 granted (January 2023), new patent applications filed relating to methods of treatment with AD-214 (post period end) and a new publication highlighted potential of a novel i-body in osteoporosis (January 2023)

· Raised $1.28 million in Entitlement Offer (May 2023) and $1.87 million in oversubscribed Shortfall placement (post period end) for total $3.15 million

· Obtained approval to commence a phase I extension study of AD-214, returning to the clinical a more than a year earlier than previously forecast (June 2023, first participant dosed post period end)

· Generated new data for AD-214 linking clinically convenient dosing schedules with potential efficacy (announced post period end)

· Commenced discovery on second target under Carina i-CAR-T collaboration (announced post period end)

Pipeline

Figure 3 summarises AdAlta's current pipeline including five active programs plus additional partnering opportunities. Key programs are described in detail below.

Figure 3: AdAlta's asset pipeline

1. AD-214 – Fibrosis

AdAlta's lead product, AD-214, is a first in class, next generation antibody therapeutic for the treatment of fibrotic diseases. Since successful completion of a Phase I clinical trial in mid-2021, development of AD-214 has progressed in four indications: lung fibrosis (specifically Idiopathic Pulmonary Fibrosis (IPF) and Interstitial Lung Disease (ILD)), kidney fibrosis, eye fibrosis and cancer. The Company's priority for AD-214 is to attract partnerships or other sources of non-dilutive capital to secure the funds necessary to progress Phase II clinical studies in IPF or kidney fibrosis. To enable this, AdAlta is making modest, targeted investments in studies that generate new data to address key questions that partners are asking or will likely ask.

AdAlta has now returned AD-214 to the clinic under a Phase I extension study in the September quarter of 2023, more than a year earlier than previously forecasted. In tandem, the Company is securing suppliers for essential toxicology studies and manufacturing campaigns necessary to initiate Phase II studies, while deferring the substantial costs of these studies until appropriate funding is secured.

Market Potential

The markets for new antifibrotics are significant. Two existing therapies approved for IPF and ILDs generated sales of US$4.3 billion in 2022[1], have limited efficacy and significant side effects that limit patient compliance.

The demand for novel antifibrotics continues to be validated by strong partnering interest shown for AD-214, as well as recent peer transactions. In August 2022, Genentech licensed Phase II antifibrotic vixarelimab from Kiniksa Pharmaceuticals for US$80 million upfront and US$620 million in potential milestones.[2] In October 2022, AbbVie purchased DJS Antibodies for US$225 million. DJS Antibodies discovers and develops antibody therapeutics against G-protein coupled receptors (GPCRs), an area of focus for AdAlta. The most advanced program is being developed as a potential first-in-class lysophosphatidic acid (LPA) receptor 1 antagonist antibody for IPF and other fibrotic diseases.

Recent updates

In July 2022, the Company modified the scheduling of AD-214 manufacturing campaigns and toxicology studies to better align key programs with the emerging priorities of potential partners. AdAlta was able to secure a six-month deferral of pre-booked and manufacturing campaigns and toxicology studies, which also ensured that the company could delay financial commitments to these activities, preserving cash for activities that would generate new data supportive of partnering. The Company continues to work closely with third party vendors to maintain the shortest possible pathway to Phase II studies without committing capital prior to securing Phase II partners or financing.

In November 2022, AdAlta reported substantial progress expanding the potential disease areas (indications) and routes of delivery for AD-214. With data in hand or being externally funded demonstrating the potential efficacy of AD-214 in four indications (lung, kidney and eye fibrosis and cancer) and feasibility of two routes of administration (intravenous and inhalation via nebulization), AdAlta elected to prioritise lung and kidney fibrosis indications and systemic (intravenous) administration for further investment.

In the March quarter, AdAlta announced it would be taking AD-214 back into clinical trials earlier than anticipated in order to develop valuable data to further inform discussions as partner interest was building, which was more than a year earlier than previously forecast. Partnering discussions were also progressing well, where the number of potential partners that expressed interest in undertaking a detailed technical review of AD-214 increased. These included multinational pharmaceutical companies, US specialty pharmaceutical companies and regional leaders in Japan and China.

AdAlta received Human Research Ethics Committee (HREC) approval to commence a Phase I extension clinical study of AD-214 in June 2023. This approval covers both a healthy volunteer cohort (Part A), and a subsequent patient cohort (Part B). The first participants in Part A of the Phase I extension study, titled "Safety, Tolerability, PK and PD Study of AD-214 Administered to Healthy Volunteers and Patients With Interstitial Lung Disease or Chronic Kidney Disease", were dosed in August 2023.

Post reporting period, AdAlta announced new data supporting the potential efficacy of AD-214 in human patients with Idiopathic Pulmonary Fibrosis (IPF) and other fibrotic diseases, when administered using clinically feasible dosing regimens, substantially de-risking Phase II clinical studies.

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[1] *Global Data, Idiopathic Pulmonary Fibrosis Competitive Landscape, April 2023*

[2] *https://investors.kiniksa.com/news-releases/news-release-details/kiniksa-pharmaceuticals-announces-global-license- agreement*

2. i-CAR-cellular immunotherapy – immuno-oncology

Chimeric Antigen Receptor (CAR) cell therapies involve modification of a patient's immune cells (T cells, NK cells, macrophages, etc) so that they produce a CAR on the cell surface that enables the patient's immune system to recognise and kill diseased cells such as cancer.

CAR-T cell therapies have revolutionised treatment of blood cell cancers. There are now six USA FDA approved CAR-T cell therapies[3] which have been successfully used to treat patients who have failed multiple rounds of chemotherapy. The market for CAR cell therapies is projected to grow from US$1 billion in 2020 to more than US$20.3 billion by 2028[4], with more than 50% of revenues to be derived from CAR-cell therapies against solid tumours by 2030.[5]

AdAlta is now working on three targets under its i-CAR-T collaboration with Carina Biotech (Carina). The companies have completed initial in vitro screening of multiple candidates targeting an undisclosed tumour antigen "A" and have selected three A-i-CAR-T cell candidates to progress. Pilot in vivo proof of concept studies in mice were completed during the June 2023 quarter and the results are now being analysed prior to finalising the future development strategy and plans. Discovery activities against a second tumor antigen target commenced at AdAlta during the June 2023 quarter, with a third to commence in the September quarter following preparative activities during the June quarter.

3. i-PET-imaging – immuno-oncology

AdAlta continues to collaborate with GE Healthcare to develop i-body enabled granzyme B PET imaging agents for use in immuno-oncology with positive progress made on several work streams. Further updates for this program will be provided in consultation with GE Healthcare and as milestones are achieved.

4. CXCR4 inhibiting i-bodies

AdAlta and GPCR Therapeutics announced a collaboration in October 2022 to evaluate AdAlta's CXCR4 inhibiting i-bodies as cancer therapeutics in combination with beta blockers, using GPCR Therapeutics' proprietary combination GPCR inhibition approach. CXCR4 is overexpressed in more than 23 cancers and drugs targeting the CXCR4 pathway address a multi-billion dollar opportunity, and AdAlta has the first option to license and further commercialise any products resulting from the collaboration.

5. Other updates

In January 2023, the Company announced that its collaborators at University of Western Australia had published research suggesting the potential to use i-bodies binding to a cell membrane protein called RANKL as improved therapies for osteoporosis and other bone diseases. AdAlta is open to industry collaborations to advance this program.[6]

Partnering opportunities

At the Bio Industry Organization BIO2023 partnering conference, AdAlta was able to advance discussions with multiple potential partners for AD-214. In general, partners responded positively to AD-214's novel mode of action, the quality of AdAlta's in vitro mode of action investigations and the potential for multiple routes of administration. Importantly, the Phase I extension study was favourably received and materially enhanced partner interest. The new data linking Phase I results and efficacy was perceived to fill an important gap and reduce risk.

Figure 4 summarises the partnering pipeline after BIO2023. It shows the number of companies in AdAlta's advanced pipeline by headquarters location. Companies under Confidential Disclosure Agreement (CDA) have generally completed an initial business and technical evaluation and are now embarking on detailed due diligence. Companies in active technical evaluation have completed an initial business and strategic evaluation and have conducted at least a technical and scientific due diligence call with AdAlta following review of a comprehensive non-confidential data package. Companies in commercial evaluation have confirmed that both fibrosis and CXCR4 are of strategic interest and their business development and search, and evaluation teams are reviewing our nonconfidential data. The figure excludes companies who have indicated a preference for Phase II data prior to partnering; those who AdAlta has assessed as unlikely to proceed or lacking in the required capabilities to support AD-214; or who have otherwise declined further discussions.

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[3] https://www.fda.gov/vaccines-blood-biologics/cellular-gene-therapy-products/approved-cellular-and-gene-therapy-products

[4] Grandview Research, "T-cell Therapy Market Size, Share & Trends Analysis" Feb 2021

[5] Polaris Market Research, "CAR-T Cell Therapy Market Share, Size Trends, Industry Analysis Report", June 2021

[6] https://1ad.live.irmau.com/irm/pdf/9e901142-f0fb-40e6-b18c-7839acf0ba9c/Publication-highlights-Ibody-potential-in- osteoporosis.pdf

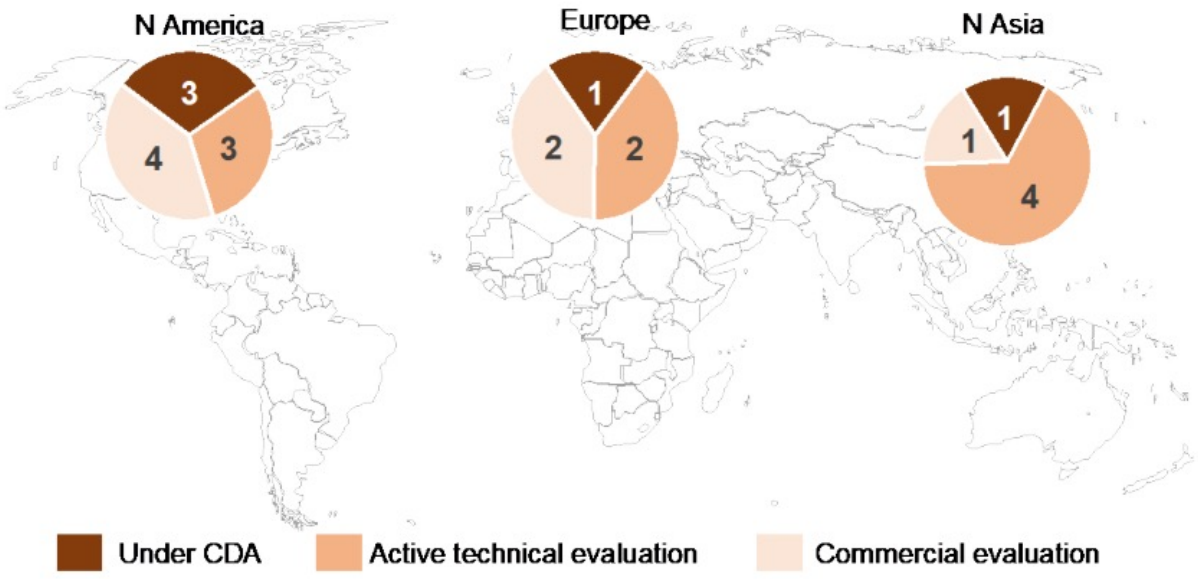


Figure 4: AD-214 partnering prospects by stage.

To ensure AdAlta maintains and grows a robust pipeline of assets, it has been continuously evaluating assets and technology platforms in, or approaching clinical trials, and where there are clear synergies with the i-body platform and existing skills. The Company is encouraged by the progress of several of these opportunities and potential investor interest in them, both of which were expanded at BIO2023.

Upcoming milestones

AdAlta's upcoming milestones and data read-outs include:

1. Interim results of AD-214 Phase I extension study (December quarter 2023)
2. Top line results of AD-214 Phase I extension study in healthy volunteers (March quarter 2024)
3. In vivo efficacy results for first i-CAR-T program with Carina Biotech (December quarter 2023)
4. Discovery progress on multiple i-body discovery programs including next two targets under Carian collaboration (first half of 2024)
5. Results of investment in next generation i-body program

The Company has a robust pipeline of out-licensing and in-licensing transactions however for competitive reasons is not forecasting timelines of potential transactions.

Intellectual property

Robust intellectual property protection is important for maximization of the commercial potential of AdAlta's assets.

AdAlta is generally able to obtain additional patents protecting i-bodies with specific amino acid sequences that bind to specific targets.

AD-214 is protected by patents granted in Australia, USA, Europe, China, Japan, India, and Singapore, with applications pending in other markets. This enables protection in the 8 largest pharmaceutical markets in the world and the largest biosimilar manufacturing locations. These patents expire on 8 January 2036. These patents include a second Japanese patent relating to AD-214 that was granted by the Japanese Patent Office in January 2023 (Patent Number 2020-121974, entitled "CXCR4 binding molecules", expiry date 8 January 2036).

AdAlta continues to evaluate opportunities to expand intellectual property protection for its technology. Two new patent applications have been lodged and two additional applications are being prepared. Trademark protection for the i-body name has now been secured in Australia and is in the final stages of registration in Europe and US.

Financial results

The loss for the company after providing for income tax amounted to $4,851,187 (30 June 2022: $6,061,015).

The year ended 30 June 2023 operating results included the following:

	2023	2022
	$	$
License and collaboration Income	-	987,936
R&D tax incentive	2,883,125	1,391,326
Other revenue	586,054	374,359
Research and development expenses (external)	(3,646,375)	(4,127,612)
Corporate administration expenses	(1,729,644)	(1,754,925)
Share based payment expenses	(218,452)	(274,318)
Employee benefit expense	(2,241,262)	(2,301,945)

Financial liquidity and capital resources

The Company began the year with $8.66 million cash at bank.

In April 2023, AdAlta launched a Rights Offer to raise up to A$3.15 million (before costs) to fund early return to clinic for lead asset AD-214 and progress ongoing partnering discussions. A$1.28 million was received from existing shareholders during the offer period and received in May 2023. Post reporting period, the Company announced the over-subscribed shortfall placement raised $1.87 million, bringing the total amount raised under the Rights Offer to its target of $3.15 million before costs.

The Company ended the year with $4.79 million cash at bank on 30 June 2023.

On 13 July 2023 the Company placed the Rights Offer shortfall, raising $1.87 million, resulting in the issue of 74,846,752 New Shares together with 37,423,362 New Options to subscribers for the New Shares under the Shortfall Facility as well as a further 15,000,000 options issued to the corporate advisor for the Rights Offer on the same terms as the New Options

Corporate updates

During the reporting period, Elizabeth (Liddy) McCall retired from her role as Non-Executive Director. James Williams PhD, alternate Non-Executive Director to Liddy McCall therefore also retired. The Company is undertaking a search for a suitably financially qualified director to replace Ms McCall.

AdAlta employed 10 staff at the end of the period with a peak of 13 during the year.

Substantial shareholder Yuuwa Capital LLC (Yuuwa) completed a planned wind up of its fund in January 2023. The shares of the Company previously held by Yuuwa were distributed to its major shareholders. Following this, the Meurs Group advised that it had increased its substantial holding and a trust benefiting the Australian Commonwealth Government became a substantial holder.

Events after the reporting period

Since 30 June 2023, the Company announced:

- On 13 July 2023 the placement of the Rights Offer shortfall, raising $1.87 million before costs by issuing 74,846,752 ordinary shares at $0.025 per share and 37,423,362 New Options.
- Important data supporting the potential efficacy of clinically convenient AD-214 dosing regimens, linking prior Phase I pharmacology and preclinical efficacy results for the first time
- First participants dosed in Phase I extension study of AD-214

Further details are found elsewhere in this report. No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company 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 company.

Environment, social and governance statement

AdAlta recognises that good ESG practices protect the social and environmental assets that underpin the Company's success.

AdAlta is in an early phase of determining an appropriate strategy for identifying and managing its ESG footprint and risks, including a formal governance model. While a governance model is being developed, the Company's CEO is responsible for ensuring the Board has oversight of arising ESG matters.

Environmental

AdAlta's laboratories are located within the La Trobe Institute for Molecular Sciences, La Trobe University, Victoria, Australia and adopt the environmental policies and procedures of La Trobe University. The University has comprehensive sustainability and climate adaption plans in place and has set a target to become carbon neutral by 2029. Further details including targets and metrics can be found at https://www.latrobe.edu.au/sustainability.

The Company's operations are not subject to significant environmental regulation under the Australian Commonwealth or State Law. La Trobe University's procedures and permits for OH&S and solid, liquid and hazardous materials and waste storage and disposal are applied to AdAlta and the Company laboratories are audited for environmental and OH&S compliance by La Trobe University.

Social

Pre-clinical and clinical trials: The Company conducts in vivo pre-clinical and clinical studies in compliance with Australian and relevant international regulatory and ethical guidelines and requirements. By strictly adhering to these guidelines, AdAlta ensures clinical trial participant safety and minimises negative impacts on animal welfare. The Company also rigorously evaluates each pre-clinical and clinical trial to ensure that it is designed to provide actionable data that cannot be obtained any other way and which minimizes the number of study subjects.

Diversity, inclusion and employee engagement: AdAlta proactively supports Science Technology Engineering and Mathematics (STEM) education by regularly sponsoring internships. These have led to the subsequent employment of interns in some instances.

The Company employs 9 full time staff and 2 interns (30% female) at the date of this report, 10 of whom are directly involved in the technical development of AdAlta's products and technology. AdAlta's non-executive Board is presently 100% male (75% prior to the retirement of non-executive director Liddy McCall. The Company is committed to achieving gender, ethnic and background diversity pending succession opportunities and consistent with objective, merit-based performance assessment. Within each level of the organization, average female base remuneration is at least 99% of average male base remuneration.

The Company publishes its Diversity Policy on its website.

Scientific and clinical community and patient engagement: AdAlta considers La Trobe's graduate and postgraduate students a part of its direct community. The Company is pleased to provides access to its intellectual property and materials and consumables funding to support student research projects and training.

The Company also supports patient advocates and clinical training in therapeutic areas related to its development programs as its means allow. During the FY2023 period, AdAlta provided financial and faculty support to the Lung Foundation of Australia's Centre for Research Excellence in Pulmonary Fibrosis CREATE Professional Development Weekend to help shape the next generation of Australian pulmonary fibrosis clinical researchers and translational scientists. Post period end, AdAlta announced its sponsorship (financial and media promotion) of Long Kayak for Lungs 2, an initiative of IPF survivor Bill van Nierop to raise awareness of and funding for IPF research.

Governance

The Company's Corporate Governance Statement and Policies can be found on its website at: adalta.com.au/investors/corporate-governance

AdAlta is committed to the highest standard of honesty and integrity in all its interactions, including interactions with health care professionals.

The Company's commitment to the highest ethical standards includes strict compliance with applicable anti-bribery and corruption laws in Australia and overseas. This commitment is reflected in the Company's Anti-Bribery, Corruption and Fraud Policy, which is published on the Company's website.

Business Risks

1.1 Risk factors specific to the Company

(a) Business risks

Shareholders should consider the various risks and difficulties frequently encountered by companies early in their commercialisation, particularly companies that develop and sell biopharmaceuticals. These risks include AdAlta's ability to: (a) implement and execute its business strategy; (b) develop its products; (c) identify and secure capable commercialisation partners on profitable terms; (d) obtain regulatory and reimbursement approval for its products (itself or through partners); (e) establish cost competitive and reliable supply chains for its products; (f) manage expanding operations; and (g) respond effectively to competitive pressures and developments.

In particular, to generate a return on its investment in research and development of its products, the intention of the Company is to secure agreements with other biopharmaceutical companies to further develop and commercialise its products. There is no guarantee that AdAlta will be able to secure such agreements or the terms on which they may be secured in which case the Company may need to secure ongoing development financing from other sources and delay or halt development of certain product development programs.

(b) Costs of development program

The development program relies on numerous work items. The costs of these items cannot be confirmed until each item is requested from the supplier and the work scope and pricing agreed. There is a risk that the work items in the proposed development program may cost more than that budgeted for, or may require more drug substance than that budgeted for (and as a result the Company may need to manufacture additional drug substance at significant cost and delay) and as a result the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(c) Regulatory risks

AdAlta's products are subject to various laws and regulations including but not limited to regulatory approval and quality compliance. Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance.

Before the Company or its commercialisation partners can undertake further clinical trials or market and sell its products, the products must be demonstrated to be safe and effective and of suitable quality and must obtain necessary approvals from regulatory authorities (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration). Such approval may take longer than anticipated, require additional trials to be undertaken or may not be provided at all.

As a result, the Company may require additional funding to secure the regulatory pathway. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

There is no guarantee that compliance will be achieved to support the Company's commercialisation plans. Regular reviews by regulatory bodies are also a feature of the industry in which AdAlta, and its partners, contract service providers and suppliers, operates. Changes in laws and regulations (including interpretation and enforcement) could also adversely affect the Company's ability to meet compliance costs and to market, distribute and sell its biopharmaceutical products. It is not possible to predict the likelihood, nature or extent of changes in government regulation that may arise.

(d) Australian Government R&D incentives may change

The Company's development program includes anticipated receipt of tax refunds based on the Company's actual research and development spending. Certain loan facilities are secured against these receipts. If the status of the Company or its connected entities should change, or the Australian Federal Government changes its R&D Tax Incentive (RDTI) program in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(e) Clinical trial risk

Moving from discovery to development and subsequent commercialisation typically involves multiple and progressively larger clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success can be impacted by a number of factors including obtaining ethics approval, incomplete or slower than expected recruitment of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. Clinical trial protocols routinely provide discretion to the principle investigator and safety management committee to modify dose escalation schedules, cohort sizes or other factors in response to observations during the trial. These factors can impact the size, cost and duration of a clinical trial. There is no guarantee that any current or future trials, including the clinical study of AD-214 planned, will demonstrate that the Company's products are successful.

Failure or material delay at any point of the clinical trial process will reduce the Company's ability to commercialise its intellectual property and generate revenues.

(f) Risk of product development and manufacturing

The Company's products, including AD-214, have not yet been produced on a scale sufficient for large scale clinical trials, multiple simultaneous trials or commercial production. The development of formulations and packaging for the Company's products, including AD-214, are not yet complete. If the Company is unable to manufacture products in sufficient quantities or in suitable formulations and presentations or at an appropriate cost level, it may not be able to conduct appropriate clinical tests to prove its product. Further, it may be unable to produce the products at a price point which is profitable or in a format sufficient convenient for patients and healthcare professionals to adopt in the context of commercial sales of the product. The Company's ability to implement its business plan and partner its assets would be significantly hindered such this failure and the Company may be unable to generate a profit, even if its drug development activity is successful.

(g) Discovery and pre-clinical development of other assets

The expansion of the Company's pipeline depends on its continued ability to be able to discover i-bodies that bind to desirable drug targets with appropriate affinity and inducing desired pharmacological and biological functions. The studies necessary to discover i-body enabled therapeutics, demonstrate pre-clinical (animal model) proof of efficacy and safety and to successfully manufacture such products at clinical and commercial scale may take longer or cost more than is projected, may not produce the expected or desired outcome and may not result in partnerable or clinic ready assets.

(h) Risk in drug development

The Company has limited history in drug development. Accordingly, the Company cannot guarantee that the i-body platform, its drug discovery, pre-clinical or clinical programs will result in the development of any products, or even if it does that the products will be approved or commercialized successfully. The Company's ability to generate revenues or profits, may therefore be adversely affected by this lack of experience.

The development and commercialisation of pharmaceutical products is subject to the inherent risk of failure, including the possibility that products may:

- to found to be unsafe or ineffective;
- fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;
- fail to receive necessary regulatory approvals;
- be difficult or impossible to manufacture on the necessary scale;
- be uneconomical to market or otherwise not commercially exploitable;
- fail to be developed prior to the successful marketing of a similar product by competitors;
- compete with products marketed by third parties that are superior; and
- fail to achieve the support or acceptance of physicians, patients or the medical community.

i) Intellectual property

The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

The Company relies on its ability to develop and commercialise intellectual property. A failure to protect its intellectual property successfully may lead to a loss of opportunities and adversely impact on AdAlta's operating results and financial position.

Although the Company will seek to protect its intellectual property, there can be no assurance that these measures will be sufficient. The Company gives no guarantee that further development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into further products that are commercially exploitable.

There can be no assurance that any patents the Company may own or control or licence now and, in the future, will afford the Company a competitive advantage, commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial application. Any challenge to the Company's intellectual property position would divert the limited resources of the Company away from its primary development program and may result in the Company requiring additional funds to complete that program. It may also result in the Company being unable to fully utilise its intellectual property portfolio or being required to in-licence certain intellectual property in order to be able to conduct its development program in a manner which will allow commercialisation of its products, and which may reduce the profits available from such activities.

There is always a risk of third parties claiming involvement in technological and medical discoveries. The granting of a patent does not guarantee that the rights of others are not infringed or that a competitor will not develop competing intellectual property that circumvents such patents. The patent position of pharmaceutical companies can be highly uncertain and frequently involve complex legal and scientific evaluation. The breadth of claims allowed in pharmaceutical patents and their enforceability cannot be predicted.

(j) Reliance on key personnel

Due to the specialised nature of the Company's business and its size, its ability to commercialise its products and maintain its research program will depend in part on its ability to attract and retain suitably qualified management, scientists, research personnel and consultants. The Company also faces competition to employ and retain the services of such individuals.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationship with key scientific organisations and contractors.

The loss of key scientific and management personnel, and the associated corporate knowledge of those people could have a detrimental impact on the Company, and this may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(k) Competitive risk

There are a number of companies with drugs at various stages of development for the treatment of IPF and other fibrotic diseases.

There are also a number of companies developing biological platforms similar to those the Company is developing.

The Company's potential competitors may include companies with substantially greater resources and access to more markets. Therefore, competitors may succeed in developing products that are safe, more effective or otherwise commercially superior than those being developed by AdAlta or which could render the Company's products obsolete and/or otherwise uncompetitive. The Company's ability to implement its business plan would be significantly hindered by this and the Company may be unable to generate revenues or profits, even if its drug development activity is successful.

(l) Currency risk

Expenditure in overseas jurisdictions is subject to the risk of fluctuations in foreign exchange. The Company's payment obligations to many of its third-party service providers, including its manufacturer and certain pre-clinical testing are expected to be in foreign currency. The Company intends to forward purchase foreign currency against known near term contractual obligations to aid in financial planning. If there are adverse currency fluctuations against the Australian dollar, there is a risk that the work items in any proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(m) Sufficiency of funding

AdAlta is currently not profitable and does not expect to become profitable until after achieving successful commercialisation of its products to allow sufficient sales revenue to fund on-going company operations. The Company does not have sufficient capital to fully commercialize its lead candidate and other programs using its platform technology. Accordingly, the Company will either have to raise additional capital through further offers or rely on securing grants or commercial transactions to further its development programs.

The Company's ability to raise further capital (equity or debt) or secure grants or a commercial (including licensing) transaction within an acceptable time, or a sufficient amount and on terms acceptable to it will vary according to a number of factors, including the success of current projects, the result of research and development and other cyclical factors affecting the Company and financial and share markets generally. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(n) Product liability risk

The process of securing marketing approval of a new product is both costly and time consuming. The intention of the Company is to out-license product candidates prior to completion of clinical trials and obtaining of marketing authorisations from relevant regulatory authorities. The conduct of clinical trials will expose the Company to product liability risks and future sales of its products may, and if the Company decides to develop a product candidate and take it to market directly will, expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

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

(o) Third party service provider risk

The Company will conduct much of its development and manufacturing activities through a series of contractual relationships with third parties. All contracts, including those entered into by the Company, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. This may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(p) Healthcare insurers and reimbursement

In many markets, treatment volumes are likely to be influenced by the availability and amounts of reimbursement of patients' medical expenses by third party payer organisations including government agencies, private health care insurers and other health care payers. There is no assurance that reimbursement of any products or services developed and commercialised by the Company will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Company or its commercialisation partners to sell products on a profitable basis

Remuneration report (audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of AdAlta Limited's key management personnel for the financial year ended 30 June 2023 in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

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

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- details of remuneration
- additional disclosures relating to key management personnel

Key management personnel

The Directors and other key management personnel of the Company during the financial year were:

Non-Executive Directors	Position
Dr Paul MacLeman	Non-Executive Chairman
Dr Robert Peach	Non-Executive Director
Dr David Fuller	Non-Executive Director
Ms Elizabeth McCall	Non-Executive Director (Resigned on 24 March 2023)
Dr James Williams	Alternate Director to Elizabeth McCall (Resigned on 24 March 2023)

Executive Directors	Position
Dr Timothy Oldham	Chief Executive Officer and Managing Director

The named persons held their current position for the whole of the financial year and since the end of the financial year unless otherwise indicated.

Remuneration policy

The Remuneration and Nominations Committee is currently responsible for determining and reviewing compensation arrangements for key management personnel. All recommendations of the Remuneration and Nominations Committee require Board approval for adoption. The Company has a Remuneration Committee, which consists of Paul MacLeman (Chair of Remuneration Committee), Robert Peach and Liddy McCall (until her resignation). The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Company.

Non-Executive Director remuneration

Non-Executive Directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity. Non-Executive Directors are also eligible to receive equity grants as a component of fees under share and option schemes generally made in accordance with thresholds and on terms set in plans approved by shareholders.

Shareholders' approval must be obtained in relation to the overall limit set for the Non-Executive Directors' fees. The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $350,000 per annum. The Directors set the individual Non-Executive Director fees within the limit approved by shareholders. Non-executive Directors are not provided with retirement benefits.

Executive Director and Executive remuneration

Executive Directors and Executives receive a base remuneration, which is at market rates, and may be entitled to performance based remuneration, which is determined on an annual basis. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and expert advice.

The Board's 'remuneration policy reflects its obligation to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles are:

(a) remuneration reflects the competitive market in which the Company operates;

(b) individual remuneration should be linked to performance criteria if appropriate; and

(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) Salary – executives receive a fixed sum payable monthly in cash plus superannuation at 10.5% of salary in FY2023 (increasing to 11% in FY2024) on salary up to the statutory maximum superannuation contribution base;

(b) Cash at risk component (short term incentive) – executives may receive a variable cash sum up to a maximum percentage of salary that is payable annually at the end of each financial year on the basis of performance against goals set at the beginning of each financial year (as assessed by the Board);

(c) Equity component (long term incentive) – executives may participate, at the discretion of the board, in share and option schemes generally made in accordance with thresholds and on terms set in plans approved by shareholders and otherwise at the discretion of the Board. In exceptional circumstances the Board may, subject to any necessary shareholder approval, issue shares and options to executives outside of approved schemes. Long term incentive awards are typically time limited and are made on a case by case basis having regard to the overall number, value and remaining term of unexpired incentive securities held by the executive, benchmarking and performance; and

(d) Other benefits – executives may, if deemed appropriate by the Board, be provided with a fully expensed mobile phone and other forms of remuneration.

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors or other key management personnel during the financial year.

Relationship between the remuneration policy and Company performance

The Board considers that at this time, evaluation of the Company's financial performance using generally accepted measures such as profitability, total shareholder return or per Company comparison are not relevant due to the early stage of development of the Company's assets as outlined in the Directors' report. Remuneration is structured to align short term incentives with the achievement of operational objectives that meaningfully progress the development of the Company's assets each year and to align long term incentives with increasing shareholder value as a result of developing and increasing those assets over the mid-term.

Details of remuneration

Remuneration is reported as Earned Remuneration and Realised Remuneration.

Earned Remuneration is the accounting value of remuneration awarded in a period as recorded in the financial statements of the Company. This includes cash payments during the period plus the value of long term incentives awarded and expensed during the period which have an accounting value that may not be immediately realisable by the recipient, for example because options have an exercise price that is equal to or below the current share price.

Realised option value is the value of remuneration realised or becoming realisable by the recipient during the period. This includes cash payments during the period plus the value of long term incentive payments from the current or any prior period that have become immediately realisable by the recipient during the period. This will include, for example, the value of shares issued on the exercise of options less the exercise price (as measured at the time of exercise).

Key terms of employment contracts

Arrangements with Directors:

Position	Annual Salary
Non-Executive Chair	$75,000
Non-Executive Directors	$50,000

The Company has entered into consulting agreements with all Directors. These agreements can be terminated by either party by giving one month's notice. Further, continuation of appointment is subject to re-election at a forthcoming AGM.

Until 24 March 2023, Elizabeth McCall was appointed as the nominated Director of Yuuwa Capital LP, with James Williams as Ms McCall's Alternate Director. Director fees are not payable to Alternate Directors. The director fees in respect of Ms McCall were paid to Yuuwa Capital LP and not to the direct benefit of Ms McCall or Dr Williams.

No additional fees are payable to Directors for their involvement in Board committees.

On appointment to the Board, all Non-Executive Directors are required to sign a letter of appointment with the Company. The letter of appointment summarises the Board policies and terms, including compensation relevant to the office or Director.

The Board approved the Remuneration and Nominations Committee recommendation to increase Tim Oldham's salary effective 1 July 2022 from $307,780 plus statutory superannuation to $318,552.30 plus statutory superannuation, all other terms of employment remain consistent.

Amounts of remuneration

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

	Short-term benefits		Post-employment benefits	Total cash payments	Share-based payments	Total earned remuneration	Realised option value
	Cash salary and fees	Other	Super-annuation		Equity-settled		
2023	$	$	$	$	$	$	$
Non-Executive Directors:							
Dr Paul MacLeman	67,872	-	7,128	75,000	63,661	138,661	-
Ms Elizabeth McCall[1]	48,076	-	-	48,076	-	48,076	-
Dr Robert Peach	50,000	-	-	50,000	25,006	75,006	-
Dr David Fuller	50,000	-	-	50,000	25,006	75,006	-
Dr James Williams[1] (Alternate)	-	-	-	-	-	-	-
Executive Directors:							
Dr Timothy Oldham	324,875	55,015[3]	18,969[2]	398,859	41,191	440,050	-
	540,823	55,015	26,097	621,935	154,864	776,799	-

[1] Liddy McCall was contracted under a service agreement with Yuuwa Capital LP. Fees are paid directly to Yuuwa Capital LP. Yuuwa Capital LP is a venture capital fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which is associated with James Williams and Liddy McCall. Alternate Directors do not receive a directors fee.

[2] $6,323 required to be paid as statutory superannuation was paid as salary as opted out of superannuation contribution due to combined employers' concessional super contribution exceeding the cap for FY23.

[3] Bonus accrued for in respect to achievement of short term incentives in the period ending 30 June 2023 of $55,015.

	Short-term benefits		Post-employment benefits	Total cash payments	Share-based payments	Total earned remuneration	Realised option value
	Cash salary and fees	Other[3]	Super-annuation		Equity-settled		
2022	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Dr Paul MacLeman	68,181	-	6,819	75,000	60,806	135,806	-
Ms Elizabeth McCall[1]	50,000	-	-	50,000	-	50,000	-
Dr Robert Peach	50,000	-	-	50,000	23,884	73,884	-
Dr David Fuller	50,000	-	-	50,000	23,884	73,884	-
Executive Directors:							
Dr Timothy Oldham	314,976	66,662[3]	15,075[2]	396,713	87,831	484,544	-
	533,157	66,662	21,894	621,713	196,405	818,118	-

[1] Liddy McCall was contracted under a service agreement with Yuuwa Capital LP. Fees are paid directly to Yuuwa Capital LP. Yuuwa Capital LP is a venture capital fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which is associated with James Williams and Liddy McCall. Alternate Directors do not receive a directors fee.

[2] $8,493 required to be paid as statutory superannuation was paid as salary as opted out of superannuation contribution due to combined employers' concessional super contribution exceeding the cap for FY22.

[3] Bonus paid in September 2021 in respect to achievement of short term incentives in the period ending 30 June 2021 of $24,662 and Bonus accrued for in respect to achievement of short term incentives in the period ending 30 June 2022 of $42,000.

Additional disclosures relating to key management personnel

Fully paid ordinary shares of AdAlta Limited

	Balance at 1 July	Received on exercise of options	Balance held on resignation	Additions	Balance at 30 June
2023	**Number**	**Number**	**Number**	**Number**	**Number**
Dr. Timothy Oldham	501,750	-	-	600,000	1,101,750
Dr Paul MacLeman	472,970	-	-	-	472,970
Dr James Williams (Alternate)[1]	263,751	-	(263,751)	-	-
Ms Elizabeth McCall[1]	166,668	-	(166,668)	-	-
Dr Robert Peach	1,453,126	-	-	-	1,453,126
Dr David Fuller	210,668	-	-	84,268	294,936

	Balance at 1 July	Received on exercise of options	Balance held on resignation	Additions	Balance at 30 June
2022	**Number**	**Number**	**Number**	**Number**	**Number**
Dr Timothy Oldham	211,000	-	-	290,750	501,750
Dr Paul MacLeman	472,970	-	-	-	472,970
Dr James Williams (Alternate)[1]	253,334	-	-	10,417	263,751
Ms Elizabeth McCall[1]	166,668	-	-	-	166,668
Dr Robert Peach	1,295,999	-	-	157,127	1,453,126
Dr David Fuller	187,260	-	-	23,408	210,668

[1] James Williams and Elizabeth McCall's interests do not include 54,059,848 ordinary shares beneficially owned by the limited partners of Yuuwa Capital LP, a venture capital fund. Yuuwa Capital Management Pty Ltd which is associated with James Williams and Elizabeth McCall provides investment management services to Yuuwa Capital LP.

Share Options of AdAlta Limited

	Balance at 1 July	Granted as compen-sation	Cancelled/ Expired	Net other change[1]	Balance at 30 June	Vested and exercisable	Options vested during year
2023	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Dr Timothy Oldham	6,129,060	-	-	300,000	6,429,060	5,829,060	2,378,718
Dr Paul MacLeman	3,055,000	-	-	-	3,055,000	1,527,500	1,527,500
Dr James Williams (Alternate)	-	-	-	-	-	-	-
Ms Elizabeth McCall	-	-	-	-	-	-	-
Dr Robert Peach	1,200,000	-	-	-	1,200,000	600,000	600,000
Dr David Fuller	1,200,000	-	-	42,134	1,242,134	642,134	642,134

[1] Options issued as a result of participation in the Rights Offer undertaken during the period.

	Balance at 1 July	Granted as compen-sation	Cancelled/ Expired	Net other change	Balance at 30 June	Vested and exercisable	Options vested during year
2022	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Dr Timothy Oldham	4,929,060	1,200,000	-	-	6,129,060	3,450,342	1,478,718
Dr Paul MacLeman	30,000	3,055,000	(30,000)	-	3,055,000	-	-
Dr James Williams (Alternate)	-	-	-	-	-	-	-
Ms Elizabeth McCall	-	-	-	-	-	-	-
Dr Robert Peach	200,000	1,200,000	(200,000)	-	1,200,000	-	-
Dr David Fuller	-	1,200,000	-	-	1,200,000	-	-

Voting and comments made at the company's 2022 Annual General Meeting (AGM).

At the Company's 2023 Annual General Meeting (AGM), a resolution to adopt the 2022 Remuneration Report was put to the vote and greater than 75% of the votes cast were cast in favour of the resolution.

No comments were made at the AGM by shareholders in relation to the Remuneration Report.

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution made pursuant to s.298(2) of the Corporations Act 2001.

This concludes the remuneration report, which has been audited.

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

On behalf of the Directors

Paul MacLeman
Chairman

25 August 2023
Melbourne

DRY KIRKNESS

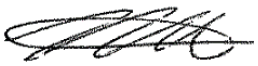
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

DRY KIRKNESS (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 25 August 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		$	$
Revenue and other income			
License and collaboration Income		-	987,936
Interest received		62,570	1,602
Other revenue	3	3,469,179	1,765,685
Total revenue and other income		3,531,749	2,755,223
Expenses			
Research and development expenses (external)		(3,646,375)	(4,127,612)
Corporate administration expenses		(1,729,644)	(1,754,925)
Share based payment expenses	14	(218,452)	(274,318)
Net foreign exchange (loss) / gain		81,243	47,671
Patent and legal costs		(474,773)	(260,610)
Depreciation and amortisation expense	9	(29,922)	(33,112)
Employee benefit expense		(2,241,262)	(2,301,945)
Finance costs		(123,751)	(111,387)
Total expenses		(8,382,936)	(8,816,238)
Loss before income tax expense		(4,851,187)	(6,061,015)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of AdAlta Limited		(4,851,187)	(6,061,015)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of AdAlta Limited		(4,851,187)	(6,061,015)

		Cents	Cents
Basic earnings per share	5	(1.52)	(2.18)
Diluted earnings per share	5	(1.52)	(2.18)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023	2022
		$	$
Assets			
Current assets			
Cash and cash equivalents	6	4,789,513	8,660,556
Trade and other receivables	7	2,695,440	1,789,655
Other current assets	8	212,127	134,530
Total current assets		7,697,080	10,584,741
Non-current assets			
Property, plant and equipment	9	36,009	63,805
Total non-current assets		36,009	63,805
Total assets		7,733,089	10,648,546
Liabilities			
Current liabilities			
Trade and other payables	10	1,700,147	1,099,547
Borrowings	11	4,013,858	2,389,567
Provisions	12	94,188	145,349
Total current liabilities		5,808,193	3,634,463
Non-current liabilities			
Borrowings	11	-	1,613,386
Provisions	12	14,942	22,185
Total non-current liabilities		14,942	1,635,571
Total liabilities		5,823,135	5,270,034
Net assets		1,909,954	5,378,512
Equity			
Issued capital	13	42,175,065	41,010,888
Reserves	14	1,873,857	1,655,405
Accumulated losses		(42,138,968)	(37,287,781)
Total equity		1,909,954	5,378,512

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Issued capital	Reserves	Unissued share reserve	Retained profits	Total equity
	$	$	$	$	$
Balance at 1 July 2021	36,232,030	1,381,087	-	(31,226,766)	6,386,351
Loss after income tax expense for the year	-	-	-	(6,061,015)	(6,061,015)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(6,061,015)	(6,061,015)
Transactions with owners in their capacity as owners:					
Share-based payments	-	274,318	-	-	274,318
Issue of ordinary shares	5,044,823	-	-	-	5,044,823
Share issue costs	(265,965)	-	-	-	(265,965)
Balance at 30 June 2022	41,010,888	1,655,405	-	(37,287,781)	5,378,512

	Issued capital	Reserves	Unissued share reserve	Retained profits	Total equity
	$	$	$	$	$
Balance at 1 July 2022	41,010,888	1,655,405	-	(37,287,781)	5,378,512
Loss after income tax expense for the year	-	-	-	(4,851,187)	(4,851,187)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(4,851,187)	(4,851,187)
Transactions with owners in their capacity as owners:					
Share-based payments	-	218,452	-	-	218,452
Issue of ordinary shares	1,334,620	-	-	-	1,334,620
Share issue costs	(170,443)	-	-	-	(170,443)
Balance at 30 June 2023	42,175,065	1,873,857	-	(42,138,968)	1,909,954

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		$	$
Cash flows from operating activities			
Receipts from customers		684,659	1,359,730
Payments to suppliers and employees		(7,957,214)	(8,113,530)
R & D tax incentive		2,077,927	2,663,660
Interest received		62,570	1,602
Net cash used in operating activities	19	(5,132,058)	(4,088,538)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,126)	(25,229)
Net cash used in investing activities		(2,126)	(25,229)
Cash flows from financing activities			
Proceeds from issue of shares		1,282,590	5,004,337
Payment of share issue costs		(70,917)	(265,965)
Proceeds from borrowings		-	4,000,000
Repayment of borrowings		-	(1,715,249)
Proceeds from other financing activities		55,500	-
Net cash from financing activities		1,267,173	7,023,123
Net increase/(decrease) in cash and cash equivalents		(3,867,011)	2,909,356
Cash and cash equivalents at the beginning of the financial year		8,660,556	5,791,389
Effects of exchange rate changes on cash and cash equivalents		(4,032)	(40,189)
Cash and cash equivalents at the end of the financial year	6	4,789,513	8,660,556

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

1. General information

The financial statements cover AdAlta Limited as an individual entity. The financial statements are presented in Australian dollars, which is AdAlta Limited's functional and presentation currency.

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

Unit 15 / 2 Park Drive
Bundoora VIC 3083
Australia

A description of the nature of the company'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 25 August 2023. The Directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

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

As disclosed in the financial statements, the Company incurred losses of $4,851,187 (2022: $6,061,015) and the Company had net cash outflows from operating activities of $5,132,058 (2022: $4,088,538). As at balance date, the Company had net current assets of $1,888,886 (2022: $6,950,278).

The Company is required to repay the Loan recorded at 30 June 2023 of $4.0 million with Treasury Corporation of Victoria (TCV) by 31 October 2023, coincident with the receipt of the FY23 Research & Development (R&D) tax incentive refund. In the event the Company does not receive a refund in excess of the Loan facility the Company will be required to repay the loan with its cash reserves. The Company is currently negotiating an extension of the maturity beyond October 2023.

Although the above are indicative of a material uncertainty relevant to the going concern consideration, the directors consider that the Company can pay its debts as and when they fall due at the date of this report. In actively considering and managing the Company's cashflow forecast, the directors consider that:

- The Company can scale down its operations sufficiently (and narrow the scope of its planned project activities) as required;
- The Company has a track record of raising capital as an ASX listed Company;
- The Company is in active discussions to license/partner its technology (in the ordinary course of executing its business plan); and
- The Company has historically been successful in receiving Research & Development tax incentive refunds from the ATO.

In the unlikely event that the activities referred to above result in a negative outcome, then the going concern basis of accounting may not be appropriate with the result that the company may have to realize its assets and extinguish its liabilities other than in the normal course of business and in amounts different to that stated within the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

2. Significant accounting policies (continued)

Revenue recognition

AASB15 Revenue from contracts with customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an application of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

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.

Research and Development Tax Incentive

Accounted for in line with AASB 120 Government Grants on an accruals basis when the following recognition criteria have been met:

(a) the entity reasonably expects it will comply with the conditions attaching to the grant; and

(b) the grant will be received.

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Fair value measurement

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation rate	Notes
Office equipment	100.00%	Assets acquired post 31 December 2016
Plant and Equipment	28.57%	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables)are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

2. Significant accounting policies (continued)

Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss in asset value is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Other long-term employee benefits

The liabilities for annual leave and long service leave which are not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Long-term employee benefits

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liabilities. The liabilities are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2. Significant accounting policies (continued)

Share based payments

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

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

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

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

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

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

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

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

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

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

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

Foreign exchange gains/losses

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

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.

2. Significant accounting policies (continued)

Comparative figures

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

Critical accounting estimates and judgements

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

Key estimates:

(i) Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors understanding thereof. At the current stage of the Company's development and its current environmental impact the Directors believe such treatment is reasonable and appropriate.

(ii) Taxation

Balances disclosed in the financial statements and the notes hereto, related to taxation are based on the best estimates of Directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income tax legislation and the Directors understanding thereof. No adjustment has been made for pending or future tax legislation. The current income tax position represents that Directors' best estimate, pending an assessment by the Australian Taxation Office.

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 company for the annual reporting period ended 30 June 2023. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current.

The Company plans on adopting the amendment for the reporting period ending 30 June 2024 along with the adoption of AASB 2022-6. The amendment is not expected to have a material impact on the financial statements once adopted.

AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

AASB 2022-6 amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. It also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure.

The Company plans on adopting the amendment for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8).

The Company plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

3. Other revenue

	2023	2022
	$	$
R&D tax incentive	2,883,125	1,391,326
Other revenue	586,054	374,359
	3,469,179	1,765,685

[1] In FY22 the Company received a R&D tax incentive refund greater than the amount accrued at 30 June 2022 by $495,453. The estimated FY23 R&D tax incentive refund is $2,387,672.

4. Income tax expense/(benefit)

	2023	2022
	$	$
Income tax expense		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,851,187)	(6,061,015)
Tax at the statutory tax rate of 25%	(1,212,796)	(1,515,253)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Non deductible expenses	1,437,281	991,449
Non assessable income	(720,781)	(347,832)
Temporary differences	(100,895)	(102,826)
Benefits of tax losses not brought into account	597,191	974,462
Income tax expense	-	-

The Company has revenue losses of approximately $13,019,957 for which no deferred tax asset has been recognised.

The Company has no franking credits currently available for future offset.

5. Loss per share

	2023	2022
	$	$
Loss after income tax attributable to the owners of Adalta Limited	(4,851,187)	(6,061,015)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	318,291,763	278,410,431
Weighted average number of ordinary shares used in calculating diluted earnings per share[1]	318,291,763	278,410,431

	Cents	Cents
Basic earnings per share	(1.52)	(2.18)
Diluted earnings per share	(1.52)	(2.18)

[1] The company had 39,835,884 options on issue as at 30 June 2023 (2022: 14,784,060) that are not considered to be dilutive due to the exercise price exceeding the current market price of the underlying ordinary shares.

6. Cash and cash equivalents

	2023	2022
	$	$
Cheque accounts	903,133	481,045
Cash reserve accounts	3,886,380	8,179,511
	4,789,513	8,660,556

7. Trade and other receivables

	2023	2022
	$	$
Trade receivables	-	40,000
Goods and services tax	102,561	48,638
Prepaid expenses	205,207	118,544
R&D tax incentive	2,387,672	1,582,473
	2,695,440	1,789,655

8. Other current assets

	2023	2022
	$	$
Forward Exchange contract	39,686	56,612
Security Deposits	172,441	77,918
	212,127	134,530

On 20 January 2023 the company entered into a Forward Exchange contract to buy USD at a rate of 1AUD = 0.69USD maturing on the 31 July 2023. As at 30 June 2023 there is a balance on the Forward Exchange contact of $708,220 USD. The amount disclosed at 30 June 2023 is the unrealised gain on the forward exchange contract. This forward contract was subsequently extended to 30 September 2023.

9. Property, plant and equipment

	2023	2022
	$	$
Plant and equipment - at cost	167,233	167,233
Less: Accumulated depreciation	(131,282)	(116,902)
	35,951	50,331
Office equipment - at cost	45,270	43,144
Less: Accumulated depreciation	(45,212)	(29,670)
	58	13,474
	36,009	63,805

Movements in the carrying amounts for each class of

	2023	2022
	$	$
Plant and equipment		
Balance at beginning of year	50,331	70,463
Additions	-	-
Disposals	-	-
Depreciation expense	(14,380)	(20,132)
Balance at end of year	35,951	50,331

	2022	2021
	$	$
Office equipment		
Balance at beginning of year	13,474	1,226
Additions	2,126	25,229
Depreciation	(15,542)	(12,981)
Balance at end of year	58	13,474

10. Trade and other payables

	2023	2022
	$	$
Trade payables	1,121,891	555,487
Accrued expenses	482,014	488,671
PAYG payable	40,742	55,389
Cash received pending approval to issue Ordinary Shares	55,500	-
	1,700,147	1,099,547

11. Borrowings

	2023	2022
	$	$
Current liabilities		
Loan – R&D Advance	4,013,858	2,389,567

	2023	2022
	$	$
Non-current liabilities		
Loan - R&D Advance	-	1,613,386

During FY2022 the Company executed a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative (Initiative) of up to $4.0million.

In September 2021 the Company received the first tranche of $2.4million.

In February 2022 the Company received the second tranche of $1.6million.

The TCV loan balance as at 30 June 2023 is $4,013,858.

Interest on Facility advances is variable at the "TCV 11am" loan interest rate (4.215% as at 30 June 2023). Repayment of the Facility is timed to coincide with receipt of AdAlta's FY2023 RDTI refund, expected by 31 October 2023. The Facility is secured by the FY2023 RDTI refund. As at 30 June 2023 the total loan facility was $4.0million, being fully drawn. The Company is negotiating with TCV to extend the maturity date beyond October 2023.

12. Provisions

	2023	2022
	$	$
Current provisions		
Annual leave	94,188	145,349

	2023	2022
	$	$
Non-current provisions		
Long service leave	14,942	22,185

13. Issued capital

	2023	2022	2023	2022
	Shares	Shares	$	$
Ordinary shares - fully paid	366,679,546	314,184,746	42,175,065	41,010,888

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Incremental costs directly attributable to the issue of the new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	2023	2022	2023	2022
	Shares	Shares	$	$
Balance at beginning of the reporting period	314,184,746	245,175,853	41,010,888	36,232,030
Issued for services in lieu of cash	1,191,181	465,365	52,030	40,487
Issued on exercise of options	-	3,725	-	926
Issue of ordinary shares	51,303,619	68,539,803	1,282,590	5,003,410
Capital raising costs	-	-	(170,443)	(265,965)
	366,679,546	314,184,746	42,175,065	41,010,888

13. Issued Capital (continued)

Options on issue

Expiry date	Number of options	Exercise price
29 May 2024	25,651,824	$0.0300
15 March 2025	400,000	$0.1744
26 November 2025	4,929,060	$0.2479
29 November 2025	6,655,000	$0.0845
28 February 2026	600,000	$0.0757
27 February 2027	1,600,000	$0.0397

As a result of the Rights Offer, all options on issue prior to the Rights Offer were reduced by $0.0003 per option as announced on 22 May 2023.

14. Reserves

	2023	2022
	$	$
Share-based payments reserve	1,873,857	1,655,405

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. 1,800,000 options were issued during the period.

	2023	2022
	$	$
At beginning of reporting period	1,655,405	1,381,087
Recognised during the period	218,452	274,318
At end of reporting period	1,873,857	1,655,405

14. Reserves (continued)

Expiry	Exercise	Balance at start of year	Granted in year	Exercised	Expired / cancelled	Balance at end of year
Date	Price	Number	Number	Number	Number	Number
26/11/2025	$0.2479	492,906	-	-	-	492,906
26/11/2025	$0.2479	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2479	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2479	1,478,718	-	-	-	1,478,718
20/03/2023	$0.0832	100,000	-	-	(100,000)	-
20/03/2023	$0.0832	100,000	-	-	(100,000)	-
20/03/2023	$0.0832	200,000	-	-	(200,000)	-
20/03/2023	$0.0832	200,000	-	-	(200,000)	-
15/03/2025	$0.1744	500,000	-	-	(300,000)	200,000
15/03/2025	$0.1744	500,000	-	-	(300,000)	200,000
29/11/2025	$0.0845	6,655,000	-	-	-	6,655,000
28/02/2026	$0.7570	1,600,000	-	-	(1,000,000)	600,000
27/02/2027	$0.0397	-	1,800,000	-	(200,000)	1,600,000
		14,784,060	1,800,000	-	(2,400,000)	14,184,060

Weighted average exercise price at 30 June 2023 $0.1360 (30 June 2022: $0.1744). 25,651,824 Listed Options are not treated as share-based payments under AASB 2.

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

Grant date	Expiry date	Share price at grant date	Exercise price[1]	Expected volatility	Dividend yield	Risk-free rate
27/02/2023	27/02/2027	$0.040	$0.040	64.13%	0%	3.29%

[1] As a result of the Rights Offer, all options on issue prior to the Rights Offer were reduced by $0.0003 per option as announced on 22 May 2023.

15. Related party transactions

Related parties

The Company's main related parties are as follows:

Non-Executive Directors	Position
Dr Paul MacLeman	Non-Executive Chair
Dr Robert Peach	Non-Executive Director
Dr David Fuller	Non-Executive Director
Ms Elizabeth McCall	Non-Executive Director (Resigned on 24 March 2023)
Dr James Williams	Alternate Director to Ms Elizabeth McCall (Resigned on 24 March 2023)
Executive Directors	
Dr Timothy Oldham	Chief Executive Officer and Managing Director

Transactions with related parties

Aside from the amounts previously disclosed in the Remuneration Report, there were no other transactions with related parties during the current and previous financial year. The aggregate compensation made to Directors and other Key Management Personnel of the Company is set out below:

	2023	2022
	$	$
Short-term benefits (Including performance bonuses)	595,838	599,820
Post-employment benefits	26,097	21,894
Share based payments	154,864	196,405
	776,799	818,119

16. Contingent liabilities and contingent assets

The Directors are not aware of any matters or circumstances which may give rise to a contingent liability or asset.

17. Commitments

Lease commitments

The Company has no lease commitments.

Capital commitments

The Company has no capital commitments.

Other commitments

The Company has significant expenditure expected to be incurred in relation to manufacturing and clinical trial costs for its Phase I human study.

18. Financial risk management

The Company does not have any complex financial instruments or derivatives.

Term, conditions and accounting policies

The Company's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the reporting date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
i) Financial assets			
Cheque account	6	Carried at face value.	The cheque account is at call with an interest rate of 0.00% (2022: 0.00%).
Cash reserve	6	Carried at face value.	The cash reserve account is at call with an interest rate of 1.55% (2022: 0.35%).
R & D tax incentive	7	Recognised on an accrual basis.	The incentive is claimed annually under an Australia Taxation Office mechanism which designed to promote research and development.
Trade receivables	7	Recognised on an accrual basis.	Normal invoice terms are 14-60 days.
Goods & services tax paid	7	Recognised on an accrual basis.	Business activity statements are lodged on a quarterly basis.
ii) Financial liabilities			
Trade and other creditors	10	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company.	The majority of costs are invoiced on a quarterly basis and hence liabilities accrue for up to 90 days. Trade liabilities are normally settled on 14-30 day terms.
Other liabilities Other current assets	8	Carried at face value.	Forward exchange contract is entered into on specific terms as agreed by the Foreign Exchange intermediary and the Company.
Borrowings	11	Carried at face value.	2023 and 2022: The Loan is a Secured Loan, with a variable interest rate of the TCV interest rate. The Security is the R&D Tax Incentive refund for the financial year ending 30 June 2023 (Rate as at 30 June 2023 of 4.215%).
iii) Equity			
Ordinary shares	13	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of the shares issued and the terms and conditions of the options outstanding over ordinary shares at balance date are set out in note 13.

18. Financial risk management (continued)

Carrying value

The carrying value of financial assets and liabilities approximates their fair value.

Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company'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 Company.

i) Market risk

The Company is not exposed to either equity securities price risk or commodity price risk.

The Company has an exposure to foreign currency risk because several contracts relating to cost of services are denominated in foreign currencies. When the service agreement is signed the Company seeks to lock-in a foreign exchange rate to minimise the risks associated with fluctuating currency markets.

ii) Credit risk

The maximum credit risk is total current assets of which the vast majority is either in the form of cash or amounts receivable from the Australian Taxation Office in the form of the Research and Development tax incentive and GST refundable.

iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term assets to enable the Company to settle its liabilities.

The contractual undiscounted cash flows of the Company's borrowing commitments is set out in the table below. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Contractual maturities	< 1 year	>1 year < 5 years	>5 years	Total	Carrying amount
Loan - R&D advance - 2023	4,013,858	-	-	-	4,013,858
Loan - R&D advance - 2022	2,389,567	1,613,386	-	4,002,953	4,002,953
	6,403,425	1,613,386	-	4,002,953	8,016,811

iv) Interest Rate Risk

The main interest rate risk arises from cash and cash equivalents with variable interest rates which expose the Company to cash flow interest rate risk. Excess cash and cash equivalents are invested in fixed interest term reserve accounts which do not expose the Company to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable and non-interest bearing accounts.

	Weighted average	Balance	Fixed interest rate exposure	Variable interest rate exposure
	%	$	$	$
Cash and cash Equivalents - 2023	1.26%	4,789,513	3,886,380	903,133
Cash and cash Equivalents - 2022	0.01%	8,660,556	8,179,485	481,071

18. Financial risk management (continued)

v) Cash flow and fair value interest rate risk

As the Company has no interest-bearing liabilities, cash out flows are not exposed to changes in market interest rates.

The Company maintains a current cheque account balance sufficient to meet day to day expenses with the balance of cash held in accounts designed to maximise interest income.

vi) Foreign exchange risk

The Company has contracts denominated in foreign currencies, predominantly in US dollars , Euros and Great Britain Pounds and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments with suppliers and customers and past experience and in accordance with Board-approved limits.

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

Reconciliation of cash flow from operations with profit after income tax

	2023	2022
	$	$
Loss after income tax expense for the year	(4,851,187)	(6,061,015)
Adjustments for:		
Depreciation and amortisation	29,922	33,112
Share-based payments	218,452	274,318
Unrealised Foreign exchange differences	4,034	-
Interest expense and borrowing costs	-	111,387
Amounts paid directly by issuance of shares	52,030	-
Change in operating assets and liabilities:		
(Increase) / decrease in receivables	(905,784)	1,318,731
(Increase) / decrease in current assets	(77,597)	(56,612)
Increase / (decrease) in payables	445,571	233,808
Increase / (decrease) in provisions	(58,404)	96,582
Increase / (decrease) in other current liabilities	-	(38,849)
Increase / (decrease) in Borrowings	10,905	-
Net cash used in operating activities	(5,132,058)	(4,088,538)

20. Dividends

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

21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Dry Kirkness (Audit) Pty Ltd, the auditor of the company:

	2023	2022
	$	$
Audit services - Dry Kirkness (Audit) Pty Ltd		
Audit or review of the financial statements	25,000	31,993

22. Events after the reporting period

Since 30 June 2023, the Company announced:

- On 13 July 2023 the placement of the Rights Offer shortfall, raising $1.87 million before costs by issuing 74,846,752 ordinary shares at $0.025 per share and 37,423,362 New Options.
- Important data supporting the potential efficacy of clinically convenient AD-214 dosing regimens, linking prior Phase I pharmacology and preclinical efficacy results for the first time
- First participants dosed in Phase I extension study of AD-214

Further details are found elsewhere in this report. No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

DIRECTORS' DECLARATION

30 JUNE 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Paul MacLeman
Chairman

25 August 2023
Melbourne

DRY KIRKNESS

INDEPENDENT AUDITOR'S REPORT
To the Members of AdAlta Limited

Report on the audit of the annual financial report

Opinion

We have audited the financial report of AdAlta Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i) giving a true and fair view of the Company's financial position as at 30 June 2023 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 have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements 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 date 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that for the year ended 30 June 2023 the Company incurred a loss of $4,851,187 (2022: $6,061,015) and had net cash outflows from operating activities of $5,132,058 (2022: $4,088,538). As at 30 June 2023, the Company had net current assets of $1,888,886 (2022: $6,950,278). Subsequent to 30 June 2023 the Company completed a capital raise, raising $1.87 million before costs.

The Company is required to repay the loan recorded at 30 June 2023 of $4,013,858 with Treasury Corporation of Victoria (TCV) by 31 October 2023, coincident with the receipt of the FY23 Research & Development (R&D) tax incentive refund. In the event the Company does not receive a refund in excess of the loan facility the Company will be required to repay the loan with its cash reserves. The Company is currently negotiating an extension of the maturity beyond October 2023.

As stated in Note 2, these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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.

Key Audit Matter	**How our audit addressed the key audit matter**
Equity and Capital Structure *Refer note 13* During the year, the Company successfully issued fully paid ordinary shares as well as various options of which some have been exercised**.**	Our audit procedures included an examination of each issue of fully paid ordinary shares during the year as disclosed in note 13. We also assessed whether share-based payments should have been recognised in relation to the Employee Share Option Plan. Further, we reconciled the third-party share registry to information announced to the public.
Research and Development Tax Incentive *Refer notes 3 and 7* Management utilise key assumptions, judgements and estimates in determining the R&D Tax Incentive disclosed in note 3 and 7 which is material to the financial statements. Management have utilised the services of a tax expert to prepare the calculation for the company's eligible R&D spend for inclusion in its submission to the ATO.	Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by management's expert in preparing the R&D Tax Incentive application. We also focused on the adequacy of financial report disclosures regarding these assumptions as disclosed at note 2.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023, 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 the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report.

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

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 22 to 26 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2023, 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.

DRY KIRKNESS (AUDIT) PTY LTD

ROBERT HALL CA
Director

Perth
Date: 25 August 2023

SHAREHOLDER INFORMATION

30 JUNE 2023

(a) Distribution of equitable securities

i) Quoted Options, exercisable at $0.03 expiring on 29 May 2024

	# of holders	# of units	% Issued share
1 to 1,000	8	3,433	0.00%
1,001 to 5,000	21	63,813	0.08%
5,001 to 10,000	9	68,491	0.09%
10,001 to 100,000	57	2,606,279	3.34%
100,001 and over	68	75,333,170	96.49%
	163	78,075,186	100.00%

ii) Ordinary Shares

	# of holders	# of units	% Issued share
1 to 1,000	42	6,592	-
1,001 to 5,000	134	461,226	0.10%
5,001 to 10,000	224	1,725,762	0.39%
10,001 to 100,000	641	24,290,768	5.50%
100,001 and over	374	415,041,950	94.00%
	1,415	441,526,298	

The number of shareholders holding less than a marketable parcel of shares are 635.

SHAREHOLDER INFORMATION

30 JUNE 2023

(b) Voting rights

(i) Options

No voting rights. The names of the twenty largest holders of quoted options are:

Position	Holder name	Holding	IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,707,866	25.24%
2	10 BOLIVIANOS PTY LTD	15,306,102	19.60%
3	MS CHUNYAN NIU	7400000	9.48%
4	SACAVIC PTY LTD <MORRIS SUPER FUND A/C>	4,803,921	6.15%
5	RADIATA FOUNDATION LTD	2,222,932	2.85%
6	RIYA INVESTMENTS PTY LTD	1,984,000	2.54%
7	HERVEY BAY VENTURES PTY LTD <CJG SUPER FUND A/C>	1,870,000	2.40%
8	MR KURT BARTON ATHERTON	1,666,666	2.13%
9	AZZURRA INVESTMENTS PTY LTD	1,400,000	1.79%
10	MR KEVIN JOHN CAIRNS & MRS CATHERINE VALERIE CAIRNS <CAIRNS FAMILY SUPER A/C>	1,200,000	1.54%
11	SCINTILLA STRATEGIC INVESTMENTS LIMITED	935,000	1.20%
12	SAFINIA PTY LTD	760,000	0.97%
13	NORTH OF THE RIVER INVESTMENTS PTY LTD	750,000	0.96%
14	GIOJAZ MANAGEMENT PTY LTD <GIOJAZ SUPER A/C>	720,000	0.92%
14	ICADER NOMINEES PTY LTD <ICADER INVESTMENTS A/C>	720,000	0.92%
14	RIYA INVESTMENTS PTY LTD	720,000	0.92%
15	MR IAIN ROSS	540,000	0.69%
16	MR JOHN OKROGLIC	537,231	0.69%
17	MR ANTHONY JOHN LOCANTRO	500,000	0.64%
18	MR XIN FANG & MRS QIUYI LIN <DDXX SUPER A/C>	450,000	0.58%
19	CASTLE MANOR PTY LTD <ARRENDENE HOLDINGS A/C>	400,000	0.51%
19	MRS GWEN MURRAY PFLEGER <PFLEGER FAMILY A/C>	400,000	0.51%
20	MR DARRYL GREGOR ABOTOMEY	360,000	0.46%
20	MR JAMES GROVER YEWERS & MS MOLLY STCLAIR HUNTER <YEWERS HUNTER SUPER A/C>	360,000	0.46%
20	MR ALEXANDER JOHN FAHEY	360,000	0.46%
	Total	**66,613,718**	**85.32%**
	Total issued capital	**78,075,186**	**100.00%**

SHAREHOLDER INFORMATION

30 JUNE 2023

(ii) 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.

The names of the twenty largest holders of quoted ordinary shares are:

Position	Holder name	Holding	IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,147,577	20.19%
2	YCLP PTY LTD <YCLP A/C>	27,029,924	6.12%
2	FLETCHER MEURS INVESTMENTS PTY LTD	27,029,924	6.12%
3	SACAVIC PTY LTD <MORRIS SUPER FUND A/C>	22,317,236	5.05%
4	MEURS HOLDINGS PTY LTD <P&M MEURS SUPERANNUATION A/C>	20,123,655	4.56%
5	RADIATA FOUNDATION LTD	15,560,519	3.52%
6	MS CHUNYAN NIU	14,800,000	3.35%
7	HB BIOTECHNOLOGY LTD	6,534,949	1.48%
8	SKIPTAN PTY LTD <P&M MEURS FAMILY A/C>	6,440,589	1.46%
9	MR KEVIN JOHN CAIRNS & MRS CATHERINE VALERIE CAIRNS <CAIRNS FAMILY SUPER A/C>	4,400,000	1.00%
10	CITYCASTLE PTY LTD	4,302,320	0.97%
11	MR JOHN OKROGLIC	3,447,080	0.78%
12	10 BOLIVIANOS PTY LTD	3,306,768	0.75%
13	LA TROBE UNIVERSITY	3,041,330	0.69%
14	SCINTILLA STRATEGIC INVESTMENTS LIMITED	3,000,000	0.68%
15	MR IAIN ROSS	2,880,000	0.65%
16	BAULDIA PTY LTD <BONAVENTURE SUPER FUND A/C>	2,817,874	0.64%
17	AZZURRA INVESTMENTS PTY LTD	2,800,000	0.63%
18	CASTLE MANOR PTY LTD <ARRENDENE HOLDINGS A/C>	2,503,904	0.57%
19	STUART CONSULTING GROUP PTY LTD	2,500,000	0.57%
19	JAGEN PTY LTD	2,500,000	0.57%
20	MRS GWEN MURRAY PFLEGER <PFLEGER FAMILY A/C>	2,400,000	0.54%
	Total	**268,883,649**	**60.90%**
	Total issued capital	**441,526,298**	**100.00%**

SHAREHOLDER INFORMATION

30 JUNE 2023

(c) Substantial shareholders

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

Position	Shareholder	Holding	% IC
1	PLATINUM INVESTMENT MANAGEMENT LTD	87,863,591	19.90%
2	MEURS HOLDINGS PTY LTD - P&M MEURS	53,594,168	12.14%
3	FLETCHER MEURS INVESTMENTS PTY LTD	27,029,924	6.12%

(d) Unquoted securities

Details of substantial holders:

Number	Number of holders	Class	Holders of more than 20%
14,184,060	12	Options expiring various dates and various prices	Timothy Oldham 43.21% (6,129,060) Paul Macleman 22.00% (3,055,000)

(e) Use of funds

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