AdAlta

next generation protein therapeutics

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

ADALTA LTD

ABN 92 120 332 925

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Dr Paul MacLeman

Dr Timothy Oldham

Ms Elizabeth McCall

Dr Robert Peach

Dr David Fuller

Dr James Williams (alternate to Elizabeth McCall)

COMPANY SECRETARY

Mr Cameron Jones

REGISTERED OFFICE

Unit 15 / 2 Park Drive
Bundoora Vic 3083

AUDITOR

Dry Kirkness (Audit) Pty Ltd
Ground Floor,
50 Colin Street
West Perth, Western Australia 6005

On 1 July 2022 Butler Settineri changed its name to Dry Kirkness.

SHARE REGISTRY

Automic Registry Services
Level 5
126 Phillip Street
Sydney, NSW 2000
Tel: 1300 288 664

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 shareholders,

Through FY2022 we continued to progress and expand our pipeline of i-body enabled assets.

Following successful completion of the Phase I clinical trial for our lead asset, AD-214, in healthy volunteers in July 2021, we have been maximising options available to us for the further development and partnering of this asset, ahead of drug product being available for clinical trials in patients. We have made significant progress towards a more convenient cost-effective inhaled formulation of AD-214 for Idiopathic Pulmonary Fibrosis (IPF), published encouraging pre-clinical data on the effectiveness of AD-214 in mouse models of kidney fibrosis and have also initiated pre-clinical studies of AD-214 in mouse models of eye fibrosis.

Successfully developing an inhaled formulation of AD-214 and demonstrating efficacy in eye fibrosis would position AdAlta well to progress separate partnering discussions for each indication of AD-214 from the middle of FY2023. We continue to believe that AD214 could offer an important new option for sufferers of debilitating fibrotic diseases.

Our collaboration with Carina Biotech Pty Ltd (Carina) to develop precision engineered, i-body enabled, CAR-T (iCAR-T) cell therapies brings with it the potential to make these breakthrough therapies available to a wider range of patients with solid cancers. Together, we have now demonstrated that we can successfully create i-CAR-T cells for the first of up to five targets and we anticipate commencing work on additional targets in the coming year. Successes to date under this collaboration have enabled us to launch a business development campaign to secure additional partnerships for this application of our i-body technology.

AdAlta's near-term strategic priorities are consistent with our long term strategy, which is articulated in detail, later in this report. We will continue to progress the AD-214 program through near-term inflection points. We will carefully and selectively add assets to our pipeline, while progressing multiple partnerships and collaborations. Finally, we will continue to invest in keeping our i-body platform at the forefront of drug discovery technologies.

The capital markets have been challenging for the biotechnology industry this year, with record numbers of biotechnology companies around the world trading at, or below cash valuations and capital raising being challenging. I would like to acknowledge and thank you, our shareholders, who supported us through the period with $5.0 million in new funds under a placement and entitlement issue to progress our programs, and for your continued support and encouragement of our strategy.

We are also grateful to the Medical Research Futures Fund and the Biomedical Translation Bridge (BTB) program for more than $0.9m in matched funding that has supported the development of a radiolabelled version of AD-214 (RL-AD-214) that has proven invaluable in developing and optimising our inhaled and intravenous formulation development programs. The Victorian Government has also provided invaluable support in the form of a $4 million low interest loan secured against our future R&D Tax Incentive rebates.

The decision announced in July 2022 to defer AD-214 manufacturing and toxicology campaigns by six months not only maximises our ability to be flexible in our strategic approach to future partnering and development of AD-214, it also defers significant expenditure. AdAlta ends FY2022 well-funded with $8.66 million cash reserves and significant financial flexibility.

Paul MacLeman
Chair

CEO AND MANAGING DIRECTOR'S LETTER

Dear fellow shareholders,

AdAlta's purpose is to generate a broad portfolio of i-body enabled drugs which can treat diseases unserved by traditional antibody technologies. Our strategy to do this is clear: progress our existing assets and develop an internal pipeline of wholly owned assets that we discover and develop through early clinical trials, before then partnering those assets out (by creating more assets like our anti-fibrotic, AD-214). We do this while also progressing an external pipeline of assets co-developed with partners who provide the target (i.e. more collaborations like those currently held with Carina and GE Healthcare).

In July 2021, we announced the successful completion of a Phase I clinical trial for an intravenous version of AD-214, demonstrating that it was well tolerated in single and multiple doses and that it clearly bound to its target receptor, pleasingly for longer than expected. COVID-19 impacts on contract manufacturing capacity for biological drugs meant that we faced an 18-24 month wait for the drug product necessary to commence our next clinical trials. While disappointing, this enabled us to significantly improve the commercialisation options for AD-214.

We have made significant progress towards developing, what we believe could be a more patient-convenient and cost-effective inhaled version of AD-214 for IPF. We've published encouraging pre-clinical data showing potential efficacy of intravenous AD-214 in kidney fibrosis, and also have ongoing studies evaluating the potential of AD-214 in eye fibrosis. All the disease areas for our data are multi-billion dollar markets, with active pharmaceutical company partnering programs and high unmet medical needs.

AdAlta continues to engage with potential pharmaceutical company partners as we progress development of AD-214. It is clear that there is substantial interest in our first in class approach to fibrosis across all three indications – lung, eye and kidney. What is also clear is that there are very few companies interested in all three indications and that the manufacturing and toxicology requirements for each are quite different. By developing a different formulation and route of administration for each indication, we are creating the opportunity to potentially partner AD-214 separately for each, increasing the return for AdAlta.

Since these partnerships might be secured as early as FY2023 and partners could therefore contribute to the cost of future clinical studies, it made sense to defer expensive and indication-specific manufacturing and toxicology campaigns. We can make more efficient decisions once we have the full results of the current pre-clinical programs in hand and can better prioritise indications, based on partner interest.

During the year we also made substantial progress toward diversifying and expanding our pipeline. Our scientific team has been doubled with the addition of expertise in cell biology, G-protein coupled receptor (GPCR), pre-clinical and protein chemistry. Our project management and business development capacity has also increased.

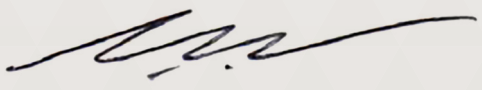
With our expanded team and improvements in i-body screening strategies, we are well positioned to conduct multiple discovery programs in parallel. This has enabled us to commence a discovery program for another GPCR target implicated in fibrosis and inflammation; progress our collaboration with GE Healthcare and commence a new collaboration with Carina Biotech to develop i-CAR-T cell therapies. We have progressed the first program in the Carina collaboration to *in vitro* cell killing assays, with results anticipated shortly. We're also close to finalising i-body discovery strategies for the second and third of a potential five targets under the Carina collaboration.

We took the strategic decision during the year to focus our co-development collaborations in the field of cellular immunotherapy, and specifically CAR – or Chimeric Antigen Receptor – cell therapies. This choice was based on continued high growth projections for this breakthrough area of cancer treatment. We have also observed a very high level of interest in single domain antibodies (such as i-bodies) for directing these CAR therapies to tumours and see the potential to create partner-ready assets more rapidly than other potential applications of i-bodies, following our initial success under the collaboration with Carina.

We launched a new business development campaign at the BIO International Convention in June 2022 in San Diego, USA. BIO is the largest global biotech partnering conference and under the campaign, we are seeking co-development partners for targets not already partnered with Carina. We have also chosen, in the near term, to slow down the addition of wholly owned and internally funded assets. This enables us to prioritise allocation of cash to projects with potential to generate near-term licensing or co-development revenue.

We look back upon a year that again demonstrated our agility, as well as progress under our long-term strategy.

I would like to thank the whole AdAlta team and the Board for their contributions through this year, as well as the volunteers who participated in our clinical trials, our collaborators and our shareholders for their continued 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 2022. 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, GAICD, MATT

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 Chairs the Industry Review Committee for the Pharmaceutical Manufacturing National Training Package for the AISC. He is an expert advisor to PharmaVentures plc. (Oxford, UK) and Mind Medicine. Paul also serves on a number of other NFP and government advisory groups. Paul is the Executive Chairman of Island Pharmaceuticals Limited (ASX:ILA).

Dr Timothy Oldham

BSc(Hons), LLB (Hons), PhD, GAICD

Managing Director and CEO, joined the Board on 8 October 2019. Tim has more than 15 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. Industry leadership roles include currently serving as a Director of BioMelbourne Network Inc and terms as Chair of the European Generic Medicines Association Biosimilars and Biotechnology Committee, a Director of the Alliance for Regenerative Medicine and a Director of the Generic Medicines Industry Association. He is a Non-executive Director at Acrux Ltd (ASX:ACR).

Ms Elizabeth (Liddy) McCall

LLB., B.Juris,B.Com (Hons), GDipApFin (SIA), GAICD

Non-Executive Director, joined the Board 16 December 2010. Liddy is co-founder of 3 biotechnology companies successfully achieving 3 FDA drug registrations and 1 FDA/CE Mark medical device approval. She is an inventor on patents granted in major jurisdictions translating novel G-protein coupled pharmacology into a therapeutic drug treatment currently in multiple Phase 3 clinical trials. Liddy co-founded IIF venture capital fund, Yuuwa Capital LP, which is responsible for a portfolio of 6 companies commercializing biotechnology and IT innovation. Liddy has over 25 years of experience in senior Board and management roles including iCeutica Inc group (acquired in 2011), Dimerix Bioscience Pty Ltd (now Dimerix Limited ASX:DXB), AdAlta Limited ASX:1AD) and iCetana Pty Ltd (now iCetana Limited ASX:ICE). Liddy was an Associate Director in the Corporate Advisory Group of Macquarie Bank and prior to that worked as a lawyer with a leading Australian law firm. She has qualifications in law and finance. Liddy is a Non-Executive Director of ASX listed Argenica Limited (ASX:AGN), the not for-profit Ear Science Institute Australia, and public unlisted companies Super Trans Medical Limited and The Tailor Made Spirits Company Limited.

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.

Dr David Fuller
MBBS, BPharm

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 ASX listed Race Oncology and is also a Non-Executive Director at EpiAxis Therapeutics Pty Ltd. Previously David was 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 James Williams
BSc (Hons), MBA, PhD, GAICD

Alternate Director to Liddy McCall. James is a co-founder and Investment Director of Yuuwa Capital LP, a venture capital firm based in Western Australia. Prior to Yuuwa Capital, he was Managing Director of two medical device companies, ASX-listed Resonance Health Ltd and Argus Biomedical Pty Ltd, both of which secured regulatory approvals under his leadership. He conceived, co-founded and is a former CTO and Director of iCeutica, Inc., a clinical stage nano drug delivery company. iCeutica was acquired by Philadelphia-based Iroko Pharmaceuticals in 2011. Iroko received FDA approval for the first three iCeutica formulations between 2013 and 2015. James is Chairman of ASX-listed clinical stage drug discovery and development company Dimerix Ltd (ASX:DXB) and Director of Yuuwa investee company PolyActiva Pty Ltd. He is a member of the "Panel of Experts" for the University of Western Australia's Pathfinder Fund and a member of the Australian Federal Government's Entrepreneur Program Committee.

The above-named Directors held office during the whole of the financial year and since the end of the financial year, unless otherwise indicated.

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

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. A qualified Chartered Accountant and registered tax agent, Cameron acts as CFO and Company Secretary for a number of ASX listed life science companies and Venture Capital investee companies. In his role at Bio101 Cameron has assisted clients in the IPO process and fills the role and acts as Australian Resident Director.

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	Options under ESOP
	(Number)	(Number)
Dr Paul MacLeman	472,970	3,055,000
Dr Timothy Oldham	501,750	6,129,090
Ms Elizabeth McCall[1]	166,668	-
Dr Robert Peach	1,453,126	1,200,000
Dr David Fuller	210,668	1,200,000
Dr James Williams[1]	263,751	-

[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.

Dividends

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

Shares under option

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
600,000	Ordinary	$0.0832	20 March 2023
1,000,000	Ordinary	$0.1747	15 March 2025
4,929,060	Ordinary	$0.2485	26 November 2025
6,655,000	Ordinary	$0.0847	29 September 2025
1,600,000	Ordinary	$0.076	28 February 2026

During the year 8,305,000 options were issued to employees (2021: 1,000,000). No share options were exercised by key management personnel during the year (2021:Nil). 1,400,535 options expired unexercised during the year.

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 2022, and the number of meetings attended by each Director were:

	Full Board[1]		Remuneration and Nomination Committee[1]		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Dr Paul MacLeman	6	6	1	1	2	2
Dr Timothy Oldham	6	6	-	-	-	-
Ms Elizabeth McCall	6	6	1	1	2	2
Dr Robert Peach	6	6	1	1	2	2
Mr David Fuller	6	6	-	-	-	-

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.

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.

On 1 July 2022 Butler Settineri changed its name to Dry Kirkness.

Operating and financial review

Summary of principal activities

AdAlta Ltd (AdAlta or the Company) is a clinical stage drug discovery and development company listed on the Australian Securities Exchange (ASX:1AD). AdAlta's purpose is to use its i-body technology platform to generate a broad portfolio of i-body enabled drugs for drug targets that challenge traditional antibody technologies, and in doing so, create novel therapies for medical conditions of high unmet need.

i-bodies are the first fully human, single domain antibody-like scaffolds. They are a new class of small, targeted proteins that mimic the properties of the single domain antibodies found in the shark immune system. They have been engineered to perform many of the characteristics of naturally occurring antibodies and 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.

Figure 1 illustrates some of the many ways that i-bodies can be used to generate novel pharmaceutical products.

i-bodies can be used directly as therapeutic agents, where the i-body engages a target receptor and modifies its signalling or pharmacology to treat disease. The i-bodies may be modified to enhance their pharmaceutical properties such as half-life (a measure of the time a drug stays in the body) in multiple ways. AdAlta's first internal product candidate, AD-214, is an example. AD-214 is a first-in-class product (meaning it works by blocking a novel target) being developed to treat fibrotic diseases. The initial focus for AD-214 is degenerative Interstitial Lung Disease (ILD), including the orphan (rare) disease, Idiopathic Pulmonary Fibrosis (IPF).

i-bodies may also be used to deliver a therapeutic or diagnostic cargo. Here, the i-body provides a direction-finding function to deliver an attached cargo precisely to the location required for therapeutic or diagnostic effect. AdAlta's collaborations with Carina Biotech Pty Ltd and GE Healthcare Inc are examples. AdAlta i-bodies are being used in the target binding region of Carina's chimeric antigen receptor cells to help direct the CAR-T cells specifically to cancer cells. AdAlta is also discovering i-bodies that bind to a molecule called granzyme B (GZMB), secreted by the immune system when it attacks a pathogen or cancer. By attaching the i-bodies to GE Healthcare's PET imaging molecules, the resulting PET imaging agents could be used to monitor changes in GZMB levels in response to immuno-oncology (I/O) drugs.

The primary focus of the FY2022 year was to progress the development of an inhaled version of AdAlta's lead i-body enabled candidate, AD-214; progress our collaborations with Carina and GE Healthcare; and to expand our business development activities.

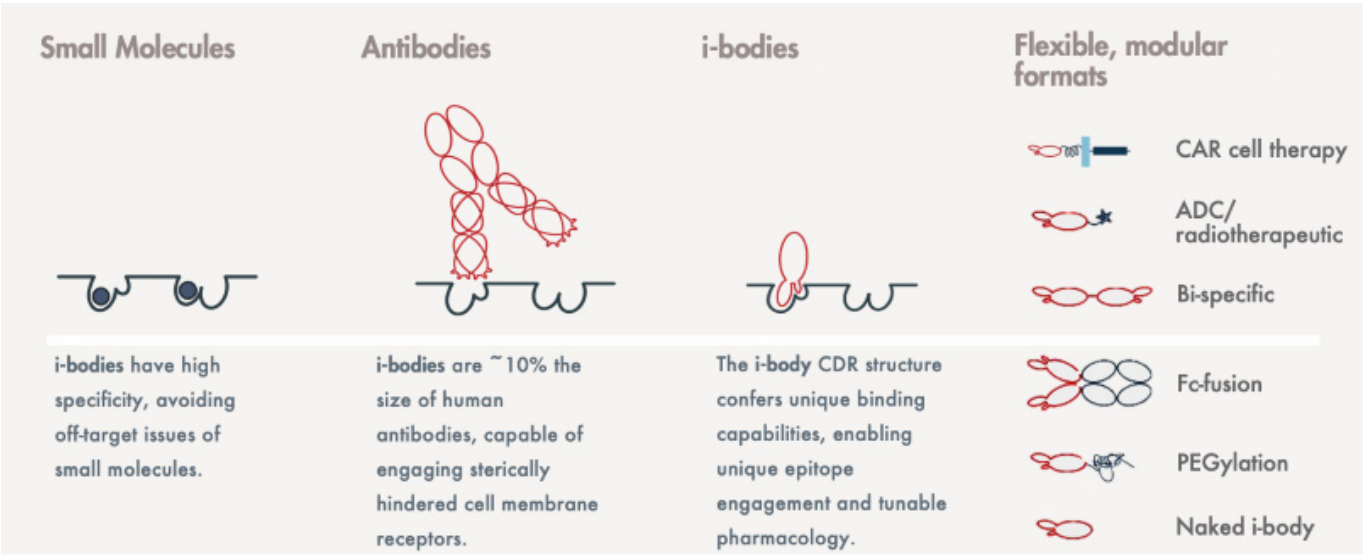


Figure 1: Features and applications of i-bodies.

Company strategy

AdAlta's purpose is to develop multiple i-body enabled products that utilise the unique i-body features to address challenging drug targets and treat diseases that have challenged traditional antibody drug technologies. External collaborations provide important commercial validation of the attractiveness of the i-body platform while also extending the reach and application of the i-body platform beyond programs that AdAlta could develop in-house.

The completion of a Phase I clinical trial of AD-214 through FY2022 demonstrated that AdAlta can develop i-body enabled products from discovery to clinical trials. The Carina and GE Healthcare collaborations demonstrated the conviction other biopharmaceutical companies have in the ability of the i-body platform to deliver unique therapeutic and diagnostic products.

Figure 2 illustrates the two core strategies AdAlta is using to generate value and returns from the i-body platform and the current assets in the pipeline:

- Internal pipeline products: these are AdAlta owned products that will be developed to a commercially attractive point, then out-licensed to a partner for further development and commercialisation.
- External pipeline products: these are co-development programs with third parties, addressing targets and using complementary platform technologies supplied by the third party and partially or wholly funded by the third party.

Internal pipeline assets

Internal pipeline assets are AdAlta-owned projects addressing targets that AdAlta selects. These targets are initially focussed on a class of biological receptors found in cell membranes called G-protein coupled receptors (**GPCRs**). GPCRs are one of the largest families of drug targets and also one of the most difficult to target successfully with antibodies, making them ideal candidates for i-body enabled drugs. Therapeutic areas of primary focus are fibrotic and inflammatory diseases and cancer.

Internal product candidates are intended to be developed from discovery through pre-clinical development and initial clinical development (Phase I or Phase II), prior to out-licensing. At this stage, larger biopharmaceutical companies are expected to then complete clinical development, obtain regulatory approval, reimbursement and undertake commercial launch. AdAlta anticipates receiving upfront, development milestones and royalties on commercial success.

AD-214 is the first example of this strategy, as is a further, undisclosed, target which entered discovery in FY2022.

Figure 2: AdAlta's business model to create value from the i-body platform.

External pipeline assets

AdAlta will enter co-development collaborations with other companies to discover and develop i-body enabled therapeutics. These programs will address targets, and/or use complementary platform technologies that are supplied by the other company and so the resulting products are known as external pipeline assets. AdAlta and the other company will generally jointly own these external pipeline assets and discovery and development will usually be partially or wholly funded or supported by the third party.

The know-how provided by the other company means that external pipeline assets can be developed for a much wider range of targets and diseases than is possible with wholly internal programs.

The Company's collaborations with GE Healthcare and Carina are examples of this type of relationship, providing AdAlta with access to PET imaging technology and CAR-T technology respectively.

During FY2022, AdAlta chose to focus on co-development collaborations in the field of cellular immunotherapy, and specifically CAR cell therapies. This choice was based on continued high growth projections for this breakthrough treatment modality, very high interest in single domain antibody-like scaffolds such as i-bodies for directing these therapies to tumours, the potential to create a partnerable asset more rapidly than other potential applications of i-bodies and the initial success of our collaboration with Carina. A business development campaign to seek co-development partners for targets not already partnered with Carina was launched at BIO2022 in June 2022.

Strategic priorities

AdAlta's growth requires continued execution of existing projects while scaling resources and investment as each new target opportunity and pipeline asset is added. Our aspiration is to have a pipeline of ten programs in development (each program being defined as a product against a specific biological target) by the end of calendar 2023. The immediate strategic priorities are set out in Figure 3:

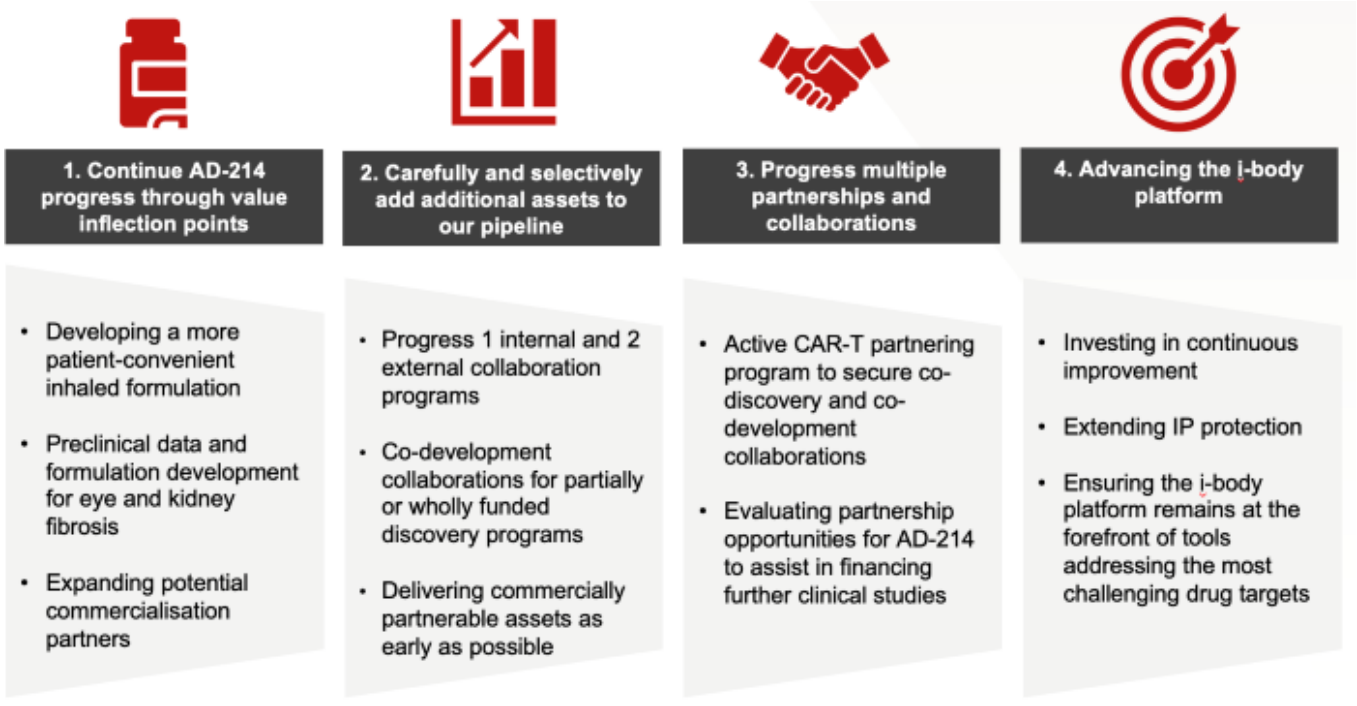


Figure 3: AdAlta's strategic priorities

Pipeline

Figure 4 summarises AdAlta's current pipeline and its anticipated evolution.

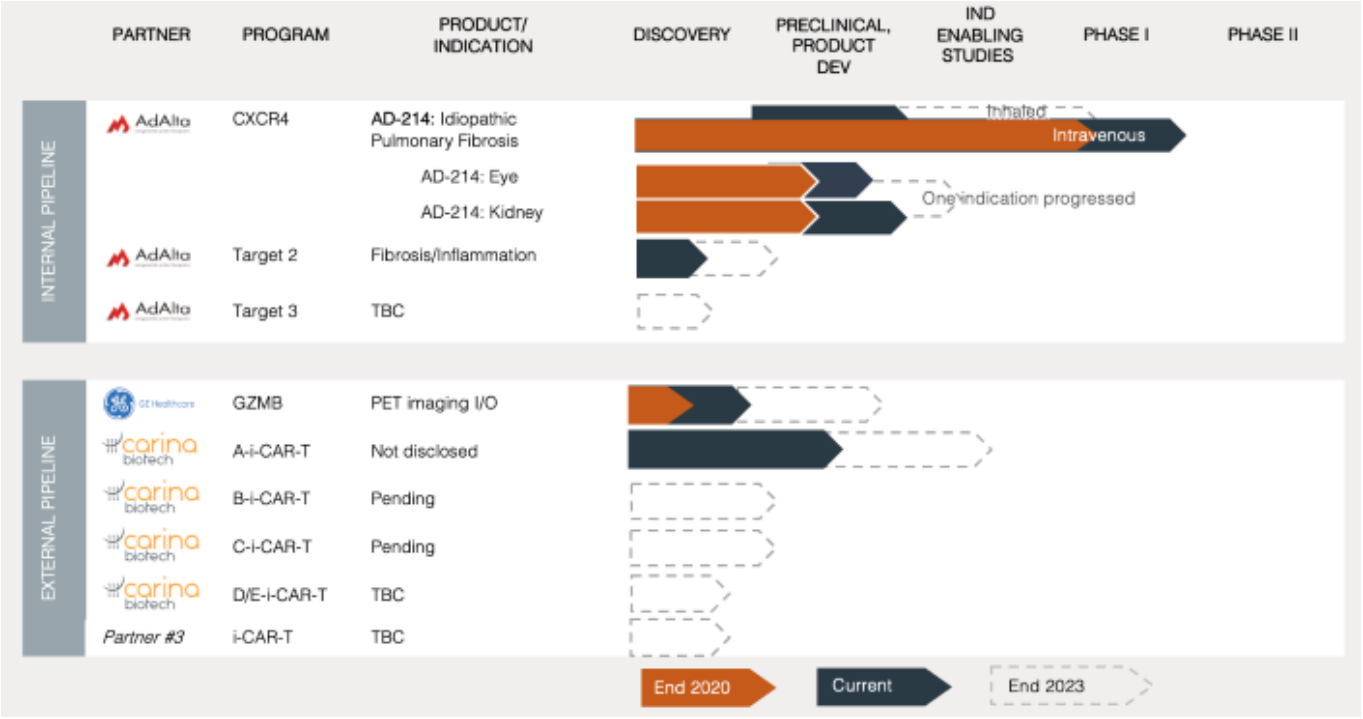


Figure 4: AdAlta's asset pipeline

AD-214

AdAlta's most advanced asset, AD-214, is a first-in-class product being developed to treat fibrotic diseases. Encouraging pre-clinical data in mouse models of disease supports an initial focus on degenerative Interstitial Lung Disease (**ILD**), including the orphan (rare) disease Idiopathic Pulmonary Fibrosis (**IPF**); kidney fibrosis and eye fibrosis.

IPF is a debilitating, progressive and ultimately fatal respiratory disease with a median survival from diagnosis of less than four years. The two marketed drugs for IPF are not curative and merely slow the progression of disease. They are also accompanied by such severe side effects that many patients are unable to tolerate therapy long term. Improved therapeutic options are desperately needed.

Kidney fibrosis results from and is associated with chronic kidney disease and diabetic nephropathy and is currently progressive and irreversible.

Eye fibrosis results from the body's attempt to cure leaky blood vessels that are the cause of Age-Related Macular Degeneration (**AMD**) and complications of diabetes. Fibrosis resulting from failure of existing therapies to control leakage is a major cause of blindness for these patients.

The US Food and Drug Administration (**FDA**) has granted Orphan Drug Designation (ODD) to AD-214 for use in IPF. ODD confers significant regulatory support and enables financial incentives on ultimate commercialisation that will be valuable to potential commercialisation partners for this asset.

Through FY2022, AD-214 completed a Phase I clinical trial in healthy volunteers at single intravenous doses up to 20 mg/kg and multiple intravenous doses at two-week intervals at 5 mg/kg.

AD-214 demonstrated an excellent safety profile via the intravenous route of administration and showed clear evidence that it functionally engages its target receptor, the GPCR known as CXCR4. Significantly, AD-214 occupied the CXCR4 receptor on immune cells at high levels for much longer than the circulating time in the blood, supporting an extended pharmacodynamic effect and enabling longer duration between doses.

In vivo PET imaging of AD-214 distribution in mice and non-human primates showed that a significant proportion of the AD-214 administered intravenously was distributed rapidly to the liver where it is not available for therapeutic effect. This was not associated with any adverse safety signals.

AdAlta is now progressing development of a more patient-convenient and cost-effective inhaled version of AD-214 for future clinical studies in IPF patients. This is anticipated to be completed for deployment in the next clinical trial of AD-214 which is scheduled to commence upon resupply of clinical AD-214 material, secured for late 2023/early 2024. As well as greater patient convenience, an inhaled formulation offers increased dosing flexibility, lower cost of goods and the potential to select different partners for AD-214 in IPF and other indications. AdAlta is also continuing to evaluate other options to formulate AD-214 that are more suitable for intravenous administration for kidney fibrosis and intravitreal administration for eye fibrosis.

i-body enabled, precision engineered CAR-T cells

AdAlta's collaboration with Carina commenced in 2021. The objective is to develop precision engineered, i-body enabled CAR-T (i-CAR-T) cell therapies that provide new hope for patients with cancer. CAR-T cell therapies are living medicines. A patient's T cells (a type of immune cell) are collected and engineered in a laboratory to express a new CAR that enables the T cell to recognise cancer. The CAR-T cells are readministered to the patient so that they can locate and kill cancer cells.

AdAlta and Carina will develop CAR-T cell products against up to 5 different tumour antigens. AdAlta will discover i-bodies for the tumour antigen targets. Carina will then incorporate them into their CAR-T platform for *in vitro* and *in vivo* evaluation. Carina and AdAlta will jointly own the products emerging from *in vivo* proof of concept and may continue to co-develop these products, choose one party to continue development or out-license to a third party. The collaboration will have a particular focus on solid tumour targets and bi-specific or dual specific CAR-Ts.

i-bodies are ideally suited for use in CAR-T cells due to their ability to be utilised as the binding domain of a CAR receptor that engages the tumour antigen. Their small size and unique targeting capabilities may provide access to a wider range of targets than the binding domains used in other CAR-T cells. Their small size also provides greater flexibility and design options for CAR-T cells. I-bodies are ideally suited to the production of bi-specific CARs, dual CARs and multifunctional CARs, as they can be incorporated with other technologies, such as Carina's Chemokine Platform, to yield CAR-T cells with increased precision and efficacy.

Bi-specific and dual CARs can engage two different tumour antigens. This may solve two problems that are commonly associated with solid tumours: firstly, that not all tumour cells express the same antigens (so may "escape" mono-specific CAR-T cells) and secondly, that not all tumour antigens are specific to the tumour, so engaging a second antigen can reduce damage to healthy tissue.

Carina is able to incorporate CARs in a very high proportion of patient T cells and expand these to a patient dose in just nine days – this is in line with, or better than, industry best practice. These capabilities, combined with Carina's Chemokine Receptor Platform that incorporates GPCRs known as chemokines into CAR-T cells, ensures that the CAR-T cells exhibit higher potency and less "exhaustion". This makes them particularly well placed to overcome barriers to solid tumour access and the immunosuppressive environment within solid tumours.

*Granzyme B PET imaging for immuno-oncology (**I/O**)*

AdAlta's collaboration with GE Healthcare, one of the world's leading diagnostic imaging companies, commenced in 2019.

AdAlta is discovering i-bodies that bind to a molecule called granzyme B (**GZMB**) which is secreted by the immune system when it attacks a pathogen or cancer. By attaching the i-bodies to GE Healthcare's PET imaging molecules, the resulting PET imaging agents may be used to determine whether a patient's immune system has been activated by immuno-oncology (**I/O**) drugs. These imaging agents could shorten the time required to establish patients on the right I/O drug and avoid treatments that do not work.

AdAlta continues to collaborate with GE Healthcare to develop i-body enabled PET imaging agents for use in immuno-oncology. We are continuing to work with them to optimise the panel of i-bodies to achieve GE Healthcare's target preclinical performance requirements. Further updates on this program will be provided in consultation with GE Healthcare as milestones are achieved.

Commercial opportunity

IPF – AD-214

The two marketed IPF drugs, pirfenidone and nintedanib, generated estimated sales of US$2.9 billion in 2019 including US$1.74 billion in US, the five largest EU markets and Japan[1], despite modest efficacy and significant side effects. If successfully developed, AD-214 would be anticipated to take a share of this market and potentially increase the market should it offer improved efficacy or reduced side effects.

AdAlta aims to partner with a larger biopharmaceutical company to progress the development and commercialisation of AD-214. Partnering is most likely to occur just prior to or after the completion of Phase II clinical trials, currently planned to commence in mid-2023.

Examples of the attractive licensing deals recently completed in IPF are shown in Figure 3. In August 2022, Genentech, a subsidiary of Roche, entered a global license agreement with Kiniksa Pharmaceuticals for the development and commercialisation of a monoclonal antibody, vixarelimab. Kiniska had completed Phase IIa studies and completed enrolment for Phase IIb studies of vixarelimab in a chronic inflammatory skin disease called prurigo nodularis, however Genentech plans to develop the asset for fibrosis,. A Phase II study in IPF/ILD is to commence in 2023. Kiniksa will receive US$100 million in upfront and near-term payments, and is eligible to receive up to $600 million in clinical regulatory and sales based milestones and royalties on sales[2].

Other fibrosis indications – AD-214

It has been reported that the burden of fibrotic lung disease following SARS-CoV-2 infection is likely to be high. It has been suggested that antifibrotic therapies may have value in preventing severe COVID-19 in IPF patients and preventing or treating fibrosis after SARS-CoV-2 infection,[3] further expanding the market potential for AD-214 in lung fibrosis.

Further, the market for fibrotic indications in other organs, which may also represent applications for AD-214, is potentially even larger, with the market for chronic kidney disease estimated at US$10 billion per year and the market for wet age-related macular degeneration estimated at US$16 billion per year[4]. Fibrotic diseases were identified as one of the top three therapeutic areas of the future at the 2020 JPMorgan Healthcare Conference. In addition, antibodies against AD-214's biological target, CXCR4, are now being developed for some of the 23 or more cancers with which CXCR4 is associated.

Date	Licensor	Licensee	Transaction Terms	Clinical Phase
Aug-22	KINIKSA	Genentech	US$80m Upfront US$620m Milestones	2 (Ready)
Nov-21	BLADE THERAPEUTICS	BIOTECH ACQUISITION COMPANY	US$254m Upfront	2 (Ready)
Nov-21	OncoArendi Therapeutics	Galapagos	€320m Milestones	2 (Ready)
Sep-21	Syndax	Incyte	US$152m Upfront US$602m Milestones	2 (Ready)
Nov-19	Promedior	Roche	US$390m Upfront US$1b Milestones	2
Feb-21	泰德制药	GRAVITON	US$517.5m Milestones	1
Jul-19	bridgebio	Boehringer Ingelheim	€45m Upfront €1.1b Milestones	1

Figure 5: Recent licensing deals in IPF

[1]GlobalData Dec 2019
[2]https://investors.kiniksa.com/news-releases/news-release-details/kiniksa-pharmaceuticals-announces-global-license-agreement; https://endpts.com/roche-genentech-place-a-100m-bet-on-fibrosis-nabbing-phii-program-from-kiniksa/
[3]PM George, AU Wells, RG Jenkins, "Pulmonary fibrosis and COVID-19: the potential role for antifibrotic therapy", Lancet published online May 15, 2020 https://doi.org/10.1016/S2213-2600(20)30225-3
[4]GlobalData 2019 [5]Company press releases

Ceullular immunotherapy – i-CAR products

The market for CAR-T therapy is emerging rapidly. CAR-T therapy was named by the American Society of Clinical Oncology (ASCO) as its Advance of the Year in 2018. After the first approvals in 2018, there are now six approved CAR-T therapies available in the US today (see Figure 4). Single doses are generating transformational outcomes for patients that have failed multiple prior lines of therapy. Current therapies treat a small number of blood cancers and due to the results they have yielded for patients, command prices in excess of US$300,000 per treatment. Sales of the first two approved products exceeded US$1 billion in 2020[5].

Even with these limited early applications, the market is forecast to grow at 20.2% per year, and to be worth $20.3 billion by 2027.[6] Revenues from solid tumour CAR-T cell therapies are forecast to exceed revenues from blood cancer CAR-T cell therapies by 2030.[7] And there is increasing interest in modifying other immune cell types such as natural killer (NK) cells and macrophages with CAR technology.

AdAlta and Carina will jointly own products that achieve *in vivo* proof of concept. Each product may be further developed and commercialised in one of three ways: continuing to co-develop the products together; selecting one company to continue development alone (key cross licensing terms including development and commercialisation milestones and royalties have been pre-agreed); or out-license immediately to third parties. In the first two cases, either or both parties will incur additional costs prior to a subsequent on-licensing to a commercialisation partner.

There is a very active deal making environment for CAR-T cell products at all stages of development. CAR-T companies have raised more than US$3.7 billion between September 2017 and February 2021 and five CAR-T company acquisitions over the same period were valued at US$96 billion in aggregate.[8] Big pharma are actively participating, with Novartis, Gilead, Astellas, Janssen, BMS, Bayer, AbbVie and Celgene all completing deals in the past 4 years.

An analysis of 17 discovery collaborations and 22 pre-clinical licensing deals between 2014 and 2022 showed median upfront payments of US$14 million and US$25 million per target respectively and total potential milestones of US$170 million and US$323 million respectively.[9]

Manufacturer	NOVARTIS	Kite A GILEAD Company	Kite A GILEAD Company	Bristol Myers Squibb	Bristol Myers Squibb
Product	KYMRIAH (tisagenlecleucel)	YESCARTA (axicabtagene ciloleucel)	TECARTUS (brexucabtagene autoleucel)	Breyanzi (lisocabtagene maraleucel)	Abecma (idecabtagene vicleucel)
Notable CAR-T transactions	UPenn and Novartis Alliance Aug 2012[2]	Gilead acquired Kite Aug 2017 US$11.9b[1]	Gilead acquired Kite Aug 2017 US$11.9b[1]	Celgene acquired Juno Jan 2018 US$9b; BMS acquired Celgene Jan 2019 US$74b[3]	Celgene acquired Juno Jan 2018 US$9b; BMS acquired Celgene Jan 2019 US$74b[3]
FDA approval	**August 2017** (acute lymphoblastic leukemia, large B cell lymphoma)	**October 2017** (large B cell lymphoma)	**July 2020** (mantle cell lymphoma)	**February 2021** (large B cell lymphoma)	**March 2021** (multiple myeloma)
Revenue 2020[4]	US$474m	US$563m	US$44m	N/A	N/A

Figure 6: US approved CAR-T cell therapies and related transactions[10]

[6]Carina Biotech analysis.
[7]Grandview Research, T-cell Therapy Market Size, Share & Trends Analysis Report 2021 – 2028, Feb 2021
[8]Polaris Market Research, CAR-T Cell Therapy Market Share, Size, Trends, Industry Analysis Report 2021 – 2028, June 2021
[9]BioInformant, CAR-T funding brief – financing rounds, acquisitions and IPOs, 2021
[10]GlobalData, AdAlta analysis
[11]https://www.businesswire.com/news/home/20210204006011/en/Gilead-Sciences-Announces-Fourth-Quarter-and-Full-Year-2020-Financial-Results; https://www.novartis.com; https://www.celgene.com/newsroom/cellular-immunotherapies/celgene-corporation-to-acquire-juno-therapeutics-inc/

Granzyme B PET imaging in immuno-oncology (I/O)

AdAlta's collaboration with GE Healthcare is already generating revenue. GE Healthcare paid an initial milestone to access the i-body technology, and funded i-body discovery and early development activities. In addition, AdAlta will earn development and commercialisation milestones and royalty revenue on GE Healthcare sales, should the granzyme B PET imaging agent currently in development, be successfully progressed.

The development timeline for PET imaging agents is significantly shorter than for therapeutics, and revenue can be generated from clinical research use even before general marketing authorisations are obtained. If successfully developed, a granzyme B PET imaging agent could generate royalty income for AdAlta ahead of AD-214.

I/O drugs, including a class of drugs known as check-point inhibitors, work by reactivating a patient's own immune system to fight cancer. While these drugs have revolutionised cancer outcomes in some indications, they only work in 20-40% of patients.[11] Today there is no simple way to determine if any given patient is responding to a particular check-point inhibitor.

GZMB is an enzyme secreted by activated immune cells and serves to kill the target pathogen or cell. Detecting increases in GZMB following treatment with a check-point inhibitor may therefore be useful in identifying responders early, reducing the time taken to find the correct therapy for any patient and reducing the cost and side effect burden of therapies that are not working. Alternative strategies such as imaging immune cell markers are indirect and potentially less accurate, since they would only confirm the presence of immune cells and not their activation.

The market for PET imaging agents is estimated to reach US$6.4 billion by 2027,[12] with the largest products generating sales in excess of US$400 million in 2007.[13] The market for I/O drugs is forecast to reach US$95 billion by 2026[14] and if just 1-2% is spent on imaging agents, the I/O biomarker PET imaging market could be US$1-2 billion.[15]

Platform technologies – i-bodies

AdAlta's i-body technology is applicable in the global antibody market, worth US$131 billion in 2019.[16] i-bodies compete in the single domain antibody segment. The first single domain antibody product, caplacizumab, was approved by the US Food and Drug Administration in February 2019. Caplacizumab was discovered and developed by Ablynx whose single domain antibody platform was derived from camelid (llamas, camels, etc) immune systems. Ablynx was acquired by Sanofi in January 2018 for €3.8 billion.

GPCRs are the largest human membrane protein family and regulate large numbers of diverse physiological processes and so are of significant interest as drug targets. Approximately one third of all approved drugs target a GPCR and these drugs had aggregate sales of US$890 billion from 2011-2015.[17] Of the 400 known GPCRs (excluding those associated with the sense of smell), only 108 are being targeted by approved drugs (and even then, not optimally). Only 66 GPCRs are the subject of clinical trials, leaving nearly two thirds of GPCRs as untapped therapeutic potential. There are very few GPCR-targeted monoclonal antibodies approved or in late clinical development, highlighting the challenges of drugging these targets using standard technologies.

There is significant potential to create valuable assets and pipelines by applying i-bodies to GPCRs.

There is no guarantee that AdAlta will be able to execute transactions of the type or value of those listed above.

Intellectual property

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

AdAlta wholly owns patents protecting the i-body platform that are granted in Australia and multiple international markets including USA and Europe. These patents expire on 2 June 2025. AdAlta has identified improvement opportunities that it anticipates will support new patent applications that, if granted, would confer additional and extended protection over the i-body platform.

In addition, 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.

[12]P Sharma, et al, Cell 168(4) 707 (2017)
[13]Global Industry Analysts, Imaging Agents: Global Market Trajectory and Analytics, April 2021
[14]AD Nunn, J Nucl Med (2007) 169
[15]ResearchandMarkets.com, Immuno-Oncology – Market Analysis, Trends, Opportunities and Unmet Needs – Thematic Research, March 2021
[16]Pitt Street Research, GE Collaboration Bodes Well, 1 July 2021
[17]MarketData Forecast, Global Antibodies Market Size, Share, Trends and Growth Analysis Report Forecast 2019 to 2024, August 2019
[18]AS Hauser et al, Nature Reviews Drug Discovery, 2017 (16) 829

AdAlta also has provisional patent applications filed or being prepared for filing which will protect i-bodies binding to two other targets.

Significant milestones achieved during the reporting period

AD-214

First ever Phase I clinical trial results establish excellent safety profile for AD-214

In July 2021 (as described in the FY2021 Annual Report), AdAlta released the results of the Company's first ever clinical trial, a Phase I study of intravenously administered AD-214 in healthy volunteers. This Phase I program achieved its objective, establishing an excellent safety profile for AD-214 via intravenous administration and providing clear evidence that AD-214 engages the CXCR4 receptor on white blood cells. The supervising Human Research Ethics Committee approved further dose escalation in the multi-dose program, prior to the Company electing to conclude the study.

At the same time, manufacturing capacity was booked for future clinical supplies of AD-214, setting an earliest possible time for future clinical trials in the second half of 2023.

Development of an inhaled formulation of AD-214 for IPF patients commenced and progressed

In July 2021 (as described in the FY2021 Annual Report) the Company elected to commence the development of an inhaled formulation of AD-214 for IPF. If successful, this would represent a superior formulation for IPF patients, offering greater convenience than intravenous administration, more flexible dosing schedules and lower costs to the healthcare system. Direct lung delivery is also anticipated to improve bioavailability of AD-214 to lung tissue by avoiding the rapid liver clearance observed in pre-clinical PET imaging studies using radiolabelled AD-214 (RL-AD-214). The window of time available until clinical supplies of AD-214 were available for future studies presented the opportunity to develop this formulation prior to future clinical trials.

RL-AD-214 was developed with the support of a A$1 million grant from the Australian Government's Medical Research Future Fund (**MRFF**) through the Biomedical Translation Bridge (**BTB**) program. Having achieved the initial objectives of the grant, the Company was able to agree an amendment to the funding agreement to repurpose the remaining funds to support the development of inhaled form of AD-214, including further use of the PET and fluorescent imaging techniques developed during the first phase of the grant program.

By December 2021, the Company had demonstrated that the intravenous formulation of AD-214 could be nebulized to create an aerosol capable of penetrating deep into the lungs using two commercially available handheld nebulizers. Simulations showed that between 17-46% of the administered dose could be deposited in the smallest airways of the lungs, exceeding initial expectations and supporting progress to pre-clinical studies.

A panel of preclinical studies are now underway to confirm that nebulized AD-214 can reach the small airways of the lungs and potentially be therapeutically effective once there.

During the June 2022 quarter, AdAlta completed pilot studies to establish methods of using RL-AD-214 to measure inhaled AD-214 distribution and retention in sheep lungs using PET imaging. Initial images have been collected from healthy sheep lungs and additional studies will be completed in the first quarter of FY2023.

AdAlta also completed preparative work to enable AD-214 to be delivered via inhalation to mice to allow assessment of AD-214 efficacy in the gold standard bleomycin mouse model of IPF. An initial study was unsuccessful when the bleomycin treatment did not establish sufficient fibrosis to differentiate between treatment and control arms. A repeat, more extensive version, of this study commenced post period end with initial results expected by the end of the September quarter of FY2023.

Additional *in vitro* mechanistic studies are also underway. Further formulation experiments provide strong encouragement that the intravenous formulation can be modified to include only components already approved for inhalation, simplifying the toxicology program significantly.

Progress made on kidney and eye fibrosis indications

Results of experiments conducted in collaboration with Prof Carol Pollock, University of Sydney were published during the year in a leading peer reviewed journal, *JCI Insights*, demonstrating that AD-214 may play a role in protecting kidneys from fibrosis.[18] The Company conducted experiments to identify possible improvements in the intravenous formulation of AD-214 that would support a differentiated product for kidney fibrosis that could be partnered separately to the inhaled product for IPF.

[19]Qinghua Cao, Chunling Huang, Hao Yi, Anthony J. Gill, Angela Chou, Michael Foley, Chris Hosking, Kevin Lim, Cristina Triffon, Ying Shi, Xin-Ming Chen and Carol A. Pollock, *A single domain i-body (AD-114) attenuates renal fibrosis through blockade of CXCR4*, JCI Insight. 2022. https://doi.org/10.1172/jci.insight.143018

Separately, the Company received updates from pre-clinical studies of AD-214 in eye fibrosis being conducted by Prof Erica Fletcher at University of Melbourne. Studies assessing retention of AD-214 in mouse eyes following intra-ocular injection and the effect on blood vessel leakage and fibrosis in two different mouse models of eye fibrosis have been completed and analysis of data is ongoing. First results are expected during the September quarter of FY2023. This differentiated intravitreal injection formulation could also enable separate partnering of this indication.

Manufacturing and toxicology campaigns

Post period end, in July 2022, AdAlta announced that it had modified the timing of AD-214 manufacturing campaigns and toxicology studies to better align these key (and expensive) activities with the emerging priorities of potential partners, and the results of pre-clinical studies due in the September quarter 2022. The Company has been able to secure a six-month deferral of manufacturing campaigns and toxicology studies. This also enabled AdAlta to delay financial commitments to these studies, extending its existing cash runway.

Intellectual property portfolio advances

During the year, AdAlta announced that additional patents had been granted protecting AD-214 in India, China, US (second patent), Singapore and Europe.

i-CAR-T collaboration with Carina Biotech

On 24 August 2021, AdAlta entered a collaboration agreement with Carina to discover and develop i-body enabled CAR-T cells. The objective was to extend the hope provided by CAR-T cell therapy to patients with blood cancers to the many more patients with solid tumours. AdAlta will discover i-bodies binding up to 5 different targets. Carina will insert these into their advanced CAR-T cell platform and conduct *in vitro* optimisation, after which AdAlta and Carina will share the cost of *in vivo* proof of concept testing and jointly own the resulting products. In addition to i-CAR-T cells against single targets, the collaboration contemplates creation of bi-specific and dual CAR-T cells that are activated by two different tumour antigens.

In November 2021, Carina and AdAlta selected the first target "A" to be developed under the collaboration. AdAlta released proof of principle results which confirming 1) that i-bodies could be successfully integrated into the Carina CAR-T platform, 2) expected manufacturing targets could be met, and 3) demonstrating killing of cells expressing the i-body target *in vitro*. Carina has now constructed A-i-CAR-T cells with varying i-body binding strength (to target A) and CAR length (from i-body binding site to the T cell membrane). Cancer cell-killing assays have been completed for A-i-CAR-T cells manufactured from one donor and are progressing for a second. The best A-i-CAR-T cell candidates will then be screened against a wider range of cancer cell lines prior to *in vivo* testing which is expected to commence in early 2023. Research project plans are being developed for two additional oncology targets, prior to discovery activities commencing at AdAlta.

Granzyme B i-PET imaging agent progresses

In September 2019, AdAlta announced a co-discovery and development collaboration with GE Healthcare to discover i-bodies that bind to granzyme B for use as an imaging agent in cancer diagnostics.

AdAlta continues to collaborate with GE Healthcare to develop i-body enabled PET imaging agents for use in immuno-oncology. We are working with them to optimise the panel of i-bodies to achieve GE Healthcare's target preclinical performance requirements. Further updates for this program will be provided in consultation with GE Healthcare, as milestones are achieved.

New internal program

During the year, AdAlta commenced a new internal development program to screen its libraries to identify i-bodies with high specificity for an undisclosed G-protein coupled receptor (GPCR) implicated in fibrotic disease.

Business development

AdAlta's ongoing program to engage with potential partners for the further development and commercialisation of AD-214 continued at the BIO International Convention 2022 in San Diego, USA in June. Several of these discussions have progressed to evaluation of confidential information. Significantly, the interest in AD-214 from these potential partners extends to multiple fibrotic indications with each having different preferences for the lead indication. The Company is encouraged that a collaborative agreement with one or more of these potential partners may be able to be finalised to assist the financing of the next clinical trials for AD-214.

Based on the progress at Carina, the Company also launched a business development campaign at the BIO International Convention 2022 to identify additional partners who could benefit from, and potentially fund, the application of our i-bodies to their cellular immunotherapy programs. Discussions were initiated at the BIO International Convention in San Diego in June and via our business development

partners Lingmed in China and MotionHall in San Francisco. The potential benefits of our smaller i-bodies over traditional CAR targeting molecules were well received and the Company has several CDA's in place to discuss possible partnerships.

During the period, AdAlta continued its engagement with MotionHall (USA) and initiated a new engagement with LingMed (China) to provide business development support for both i-CAR-T and AD-214 programs.

COVID-19 impacts

AdAlta's laboratories at La Trobe University remained continuously open throughout 2021 and 2022, with remote working where possible and modified work practices implemented. The Company meets or exceeds Victorian Government and La Trobe University requirements for COVID-safe work practices, including mask wearing for workplace close contacts and seven-day isolation for positive cases. All staff have had at least two doses and the majority three doses of a COVID vaccine and the Company has not observed any evidence of workplace-acquired COVID infections.

The Company employs 12 full time staff at the date of this report, 10 of whom are directly involved in the development of AdAlta's products and technology. All hold PhD's. 3 are female. 4 were born outside Australia. Of four non-executive directors, 1 is female and 1 was born and lives outside Australia.

The Company conducts *in vivo* pre-clinical and clinical studies in compliance with Australian and relevant international regulatory and ethical guidelines and requirements and seeks to minimise use of animals in research.

Financial results

The loss for the company after providing for income tax amounted to $6,061,015 (30 June 2021: $5,628,354).

The year ended 30 June 2022 operating results included the following:

	2022	2021
	$	$
License and collaboration Income	987,936	848,190
R&D tax incentive	1,391,326	2,854,807
Other revenue	374,359	281,377
Research and development expenses (external)	(4,127,612)	(6,233,515)
Corporate administration expenses	(1,754,925)	(1,333,098)
Share based payment expenses	(274,318)	(517,065)
Employee benefit expense	(2,301,945)	(1,088,689)

Financial liquidity and capital resources

The Company began the year with $5.79 million cash at bank.

On 20 September 2021, the Company executed a non-dilutive funding facility of up to A$4.0 million with Treasury Corporation of Victoria as part of the Victorian Government's R&D Cash Flow Loan Initiative . The Company received the first tranche of $2.4million in September 2021 and second tranche of $1.6 million on 28 February 2022.

On 7 October 2021, the Company announced an amendment to its funding agreement with MTPConnect under the Australian Government's Medical Research Future Fund's (MRFF) MTPConnect's Biomedical Translation Bridge (BTB) Program, with support from BTB partner, UniQuest. The amended BTB agreement transferred in FY22 A$0.76 million in matched funds, originally allocated to clinical studies using RL-AD-214 to support the development of inhaled and improved intravenous formulations of AD-214.

On 8 November 2021, the Company repaid in full its loan facility provided by Radium Capital as an advance against the FY2021 RDTI.

During the period, AdAlta issued 51,369,863 ordinary shares via a placement to new and existing institutional and sophisticated investors. Shares were issued at $0.073, raising $3.75 million before costs.

During the period, AdAlta issued 17,169,940 ordinary shares via an Entitlement Offer. Shares were issued at $0.073, raising $1.25million before costs.

During the period, AdAlta also issued 3,725 ordinary shares via exercise of options and 465,365 ordinary shares for the provision of investor relation services in lieu of cash.

The Company ended the year with $8.66 million cash at bank on 30 June 2022.

AdAlta manages its research expenditure as a series of projects that can be commenced, accelerated, slowed or halted to manage overall cash reserves.

As a result, the Directors believe the Company is in a strong and stable financial position.

Leadership and organisation

There were no changes to the composition of the Board during the reporting period. Over the past two years, AdAlta has migrated away from an operating model where research was conducted under contract by La Trobe University scientists, supervised by Prof Mick Foley, who also acted as the (fractional time) Chief Scientific Officer of the Company. These scientists are now employed directly by AdAlta and conduct research exclusively for the Company. As a result, Prof Foley now acts in an advisory role as Founding Chief Scientist. The Company maintains a mutually beneficial collaboration with La Trobe University. AdAlta employed 7 staff at the beginning of the period with a peak of 15 during the year.

During the period AdAlta engaged a managed IT service provider which has enabled greater data security and integrity and improved cyber security and controls.

Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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.

Future developments, prospects and business strategies

During FY2023 the Company's focus is on:

– Completing preclinical and formulation studies for an inhaled version of AD-214

– Selecting the highest priority indication for future clinical studies of AD-214

– Commencing manufacturing and toxicology campaigns for AD-214 to support future clinical studies commencing in late 2023 or early 2024

– Progressing the discovery and development of three i-CAR-T products with Carina

– Progressing i-body discovery on one new GPCR target for AdAlta's internal pipeline and i-body platform continuous improvement initiatives

– Exploring collaborative opportunities with larger biopharmaceutical companies that could help fund the subsequent clinical development of AD-214

– Exploring additional i-CAR co-development opportunities on targets in addition to the targets under the Carina collaboration

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

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 Company's operations are not subject to significant environmental regulation under the Australian Commonwealth or State Law.

Social

The Company employs 12 full time staff at the date of this report, 10 of whom are directly involved in the development of AdAlta's products and technology. All hold PhD's. 3 are female. 4 were born outside Australia. Of four non-executive directors, 1 is female and 1 was born and lives outside Australia.

The Company conducts *in vivo* pre-clinical and clinical studies in compliance with Australian and relevant international regulatory and ethical guidelines and requirements and seeks to minimise use of animals in research.

Goverance

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

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 2022 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
Ms Elizabeth McCall	Non-Executive Director
Dr Robert Peach	Non-Executive Director
Dr David Fuller	Non-Executive Director
Dr James Williams	Alternate Director to Elizabeth McCall

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. 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% of salary in FY2022 (increasing to 10.5% in FY2023) 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 cash payments and total earned 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 (effective 1 January 2021)
Non-Executive Chair	$75,000
Non-Executive Directors	$50,000

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

Elizabeth McCall is 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 are 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 September 2021 from $300,000 plus statutory superannuation to $307,780 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		
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	-
Dr James Williams[1] (Alternate)	-	-	-	-	-	-	-
Executive Directors:							
Dr Timothy Oldham	314,976	66,662[3]	15,075[2]	396,714	87,831	484,545	-
	533,157	66,662	21,894	621,714	196,405	818,119	-

[1]Liddy McCall is 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 are not subject to 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.

	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		
2021	$	$	$	$	$	$	$
Non-Executive Directors:[2]							
Dr Paul MacLeman	58,980	-	5,603	64,583	-	64,583	-
Ms Elizabeth McCall[3]	40,000	-	-	40,000	-	40,000	-
Dr Robert Peach	40,000	-	-	40,000	-	40,000	-
Dr David Fuller[1]	40,000	-	-	40,000	-	40,000	-
Executive Directors:							
Dr Timothy Oldham	300,000	29,750	21,694	351,444	147,906	499,350	-
	478,980	29,750	27,297	536,027	147,906	683,933	-

[1]David Fuller was appointed on 22 July 2020.

[2]Non-Executive Director fees were suspended effective 1 April 2020 under the Company's COVID-19 risk management plan and were not reinstated until 1 September 2020. Paul MacLeman continued to receive 50% of his fee as Chair during this period. As of 1 January 2021 Director fees were increased $10,000 per annum for Non-Executive Chair and $5,000 per annum for Non-Executive Directors.

[3]Liddy McCall is 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. James Williams resigned as a Director on 27 March 2020 and transitioned to an alternate director to Liddy McCall on the same day.

Additional disclosures relating to key management personnel

Fully paid ordinary shares of AdAlta Limited

	Balance at 1 July	Received on exercise of options	Net other change	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.

	Balance at 1 July	Received on exercise of options	Net other change	Additions	Balance at 30 June
2021	Number	Number	Number	Number	Number
Dr Timothy Oldham	120,000	-	-	91,000	211,000
Dr Paul MacLeman	472,970	-	-	-	472,970
Dr James Williams (Alternate)[1]	233,334	-	-	20,000	253,334
Ms Elizabeth McCall[1]	133,334	-	-	33,334	166,668
Dr Robert Peach	1,295,999	-	-	-	1,295,999
Dr David Fuller[2]	-	-	149,808	37,452	187,260

[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.

[2]David Fuller held 149,808 shares on appointment as Director on 22 July 2020.

Share Options of AdAlta Limited

	Balance at 1 July	Granted as compensation	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	-	-

	Balance at 1 July	Granted as compensation	Cancelled/ Expired	Net other change	Balance at 30 June	Vested and exercisable	Options vested during year
2021	Number	Number	Number	Number	Number	Number	Number
Dr Timothy Oldham	4,929,060	-	-	-	4,929,060	1,971,624	1,478,718
Dr Paul MacLeman	46,667	-	(16,667)	-	30,000	30,000	-
Dr James Williams (Alternate)	66,667	-	(66,667)	-	-	-	-
Ms Elizabeth McCall	16,667	-	(16,667)	-	-	-	-
Dr Robert Peach	681,333	-	(481,333)	-	200,000	200,000	100,000
Dr David Fuller	-	-	-	-	-	-	-

Voting and comments made at the company's 2021 Annual General Meeting (AGM).

At the Company's 2021 Annual General Meeting (AGM), a resolution to adopt the 2021 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

29 August 2022
Melbourne

DRY KIRKNESS

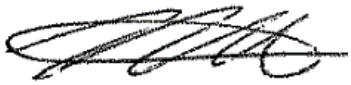
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2022, 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: 29 August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		$	$
Revenue and other income			
License and collaboration Income		987,936	848,190
Interest received		1,602	2,942
Other revenue	3	1,765,685	3,136,184
Total revenue and other income		2,755,223	3,987,316
Expenses			
Research and development expenses (external)		(4,127,612)	(6,233,515)
Corporate administration expenses		(1,754,925)	(1,333,098)
Share based payment expenses	15	(274,318)	(517,065)
Net foreign exchange (loss) / gain		47,671	(115,362)
Patent and legal costs		(260,610)	(201,224)
Depreciation and amortisation expense	9	(33,112)	(29,079)
Employee benefit expense		(2,301,945)	(1,088,689)
Finance costs		(111,387)	(97,638)
Total expenses		(8,816,238)	(9,615,670)
Loss before income tax expense		(6,061,015)	(5,628,354)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of Adalta Limited		(6,061,015)	(5,628,354)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Adalta Limited		(6,061,015)	(5,628,354)

		Cents	Cents
Basic earnings per share	5	(2.18)	(2.40)
Diluted earnings per share	5	(2.18)	(2.40)

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

STATEMENT OF FINANCIAL POSITION
ASSETS

AS AT 30 JUNE 2022

	Note	2022	2021
		$	$
Current assets			
Cash and cash equivalents	6	8,660,556	5,791,389
Trade and other receivables	7	1,789,655	3,108,387
Other current assets	8	134,530	77,918
Total current assets		10,584,741	8,977,694
Non-current assets			
Property, plant and equipment	9	63,805	71,689
Total non-current assets		63,805	71,689
Total assets		10,648,546	9,049,383
Liabilities			
Current liabilities			
Trade and other payables	10	1,099,547	865,740
Borrowings	11	2,389,567	1,687,491
Provisions	12	145,349	70,952
Other current liabilities	13	-	38,849
Total current liabilities		3,634,463	2,663,032
Non-current liabilities			
Borrowings	11	1,613,386	-
Provisions	12	22,185	-
Total non-current liabilities		1,635,571	-
Total liabilities		5,270,034	2,663,032
Net assets		5,378,512	6,386,351
Equity			
Issued capital	14	41,010,888	36,232,030
Reserves	15	1,655,405	1,381,087
Accumulated losses		(37,287,781)	(31,226,766)
Total equity		5,378,512	6,386,351

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 2022

	Issued capital	Reserves	Unissued share reserve	Retained profits	Total equity
	$	$	$	$	$
Balance at 1 July 2020	28,436,476	864,022	-	(25,598,412)	3,702,086
Loss after income tax expense for the year	-	-	-	(5,628,354)	(5,628,354)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,628,354)	(5,628,354)
Transactions with owners in their capacity as owners:					
Share-based payments	-	517,065	-	-	517,065
Issue of ordinary shares	8,123,024	-	-	-	8,123,024
Share issue costs	(327,470)	-	-	-	(327,470)
Balance at 30 June 2021	36,232,030	1,381,087	-	(31,226,766)	6,386,351

	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

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 2022

	Note	2022	2021
		$	$
Cash flows from operating activities			
Receipts from customers		1,359,730	1,038,030
Payments to suppliers and employees		(8,113,530)	(9,162,138)
R & D tax incentive		2,663,660	3,143,923
Cash receipts from other operating activities		-	195,501
Interest received		1,602	2,942
Net cash used in operating activities	20	(4,088,538)	(4,781,742)
Cash flows from investing activities			
Payments for property, plant and equipment		(25,229)	(2,121)
Net cash used in investing activities		(25,229)	(2,121)
Cash flows from financing activities			
Proceeds from issue of shares		5,004,337	8,123,024
Payment of share issue costs		(265,965)	(327,471)
Repayment of borrowings		(1,715,249)	(2,284,363)
Proceeds from borrowings		4,000,000	1,682,890
Net cash from financing activities		7,023,123	7,194,080
Net increase in cash and cash equivalents		2,909,356	2,410,217
Cash and cash equivalents at the beginning of the financial year		5,791,389	3,366,503
Effects of exchange rate changes on cash and cash equivalents		(40,189)	14,669
Cash and cash equivalents at the end of the financial year	6	8,660,556	5,791,389

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 29 August 2022. 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

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

As disclosed in the financial statements, the Company incurred losses of $6,061,015 (2021: $5,628,354) and the Company had net cash outflows from operating activities of $4,088,538 (2021: $4,781,742). As at balance date, the Company had net current assets of $6,950,278 (2021: $6,314,662).

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Revenue recognition

AASB15 Revenue from contracts with customers

The Company has adopted AASB 15 from 1 July 2018. 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 instrument, 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.

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
Computer software	13.17%	
Office equipment	17.31%	Assets acquired pre 31 December 2016
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.

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 of are valued asset 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 liability for annual leave and long service leave 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, 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 liability 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 liability. The liability is 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.

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

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

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

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

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

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

If the non-vesting condition is within the control of the 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.

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 2022. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

3. Other revenue

	2022	2021
	$	$
R&D tax incentive	1,391,326	2,854,807
Other revenue	374,359	281,377
	1,765,685	3,136,184

4. Income tax expense

	2022	2021
	$	$
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	(6,061,015)	(5,628,355)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,515,253)	(1,463,375)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Non deductible expenses	991,449	1,750,018
Non assessable income	(347,832)	(759,150)
Temporary differences	(102,826)	(158,533)
Benefits of tax losses not brought into account	(974,462)	631,037
Income tax expense	-	-

The Company has revenue losses of approximately $11,966,725 for which no deferred tax asset has been recognised.

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

5. Loss per share

	2022	2021
	$	$
Loss after income tax attributable to the owners of Adalta Limited	(6,061,015)	(5,628,354)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	278,410,431	234,255,299
Weighted average number of ordinary shares used in calculating diluted earnings per share[1]	278,410,431	234,255,299

	Cents	Cents
Basic earnings per share	(2.18)	(2.40)
Diluted earnings per share	(2.18)	(2.40)

[1]The 14,784,060 options (2021: 7,879,595) are not considered to be dilutive.

6. Cash and cash equivalents

	2022	2021
	$	$
Cheque accounts	481,045	876,521
Cash reserve accounts	8,179,511	4,914,868
	8,660,556	5,791,389

7. Trade and other receivables

	2022	2021
	$	$
Trade receivables	40,000	-
Goods and services tax	48,638	122,401
Prepaid expenses	118,544	131,178
Sundry receivable – R&D tax incentive	1,582,473	2,854,808
	1,789,655	3,108,387

8. Other current assets

	2022	2021
	$	$
Forward Exchange contract	56,612	-
Security Deposits	77,918	77,918
	134,530	77,918

On 12 January 2022 the company entered into a Forward Exchange contract to buy USD at a rate of 1AUD = 0.72USD maturing on the 13 January 2023. As at 30 June 2022 there is a balance on the Forward Exchange contact of $920,651 USD. The amount disclosed at 30 June 2022 is the unrealised gain on the forward exchange contract.

9. Property, plant and equipment

	2022	2021
	$	$
Plant and equipment – at cost	167,233	167,233
Less: Accumulated depreciation	(116,902)	(96,770)
	50,331	70,463
Office equipment – at cost	43,144	17,915
Less: Accumulated depreciation	(29,670)	(16,689)
	13,474	1,226
	63,805	71,689

Movements in the carrying amounts for each class of

	2022	2021
	$	$
Plant and equipment		
Balance at beginning of year	70,463	98,648
Additions	-	-
Disposals	-	-
Depreciation expense	(20,132)	(28,185)
Balance at end of year	50,331	70,463

	2022	2021
	$	$
Office equipment		
Balance at beginning of year	1,226	-
Additions	25,229	2,121
Depreciation	(12,981)	(895)
Balance at end of year	13,474	1,226

10. Trade and other payables

	2022	2021
	$	$
Trade payables	555,487	215,722
Accrued expenses	488,671	612,865
PAYG payable	55,389	31,519
Superannuation payable	-	5,634
	1,099,547	865,740

11. Borrowings

	2022	2021
	$	$
Current liabilities		
Loan – R&D Advance	2,389,567[1]	1,687,491

	2022	2021
	$	$
Non-current liabilities		
Loan – R&D Advance	1,613,386	-

[1]Current portion of loan is made up of the indicative partial repayment $2,386,614 plus interest payable in July 2022 of $2,953.

Radium Loan

Full settlement of a loan facility with Radium Capital was made on 2 November 2021, upon receipt of the FY2021 RDTI rebate.

Victorian Government's R&D Cash Flow Loan – Treasury Corporation of Victoria (TCV)

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 2022 is $4,002,953.

12. Provisions

	2022	2021
	$	$
Current provisions		
Annual leave	145,349	70,952

	2022	2021
	$	$
Non-current provisions		
Long service leave	22,185	-

13. Other current liabilities

	2022	2021
	$	$
Forward exchange contract	-	38,849

On 6 July 2020 the company entered into a Forward Exchange contract to buy USD at a rate of 1AUD = 0.7035USD maturing on the 14 January 2022. As at 30 June 2021 there is a balance on the Forward Exchange contact of $444,117 USD. The amount disclosed at 30 June 2021 was the unrealised loss on the forward exchange contract.

14. Issued capital

	2022	2021	2022	2021
	Shares	Shares	$	$
Ordinary shares – fully paid	314,184,746	245,175,853	41,010,888	36,232,030

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.

	2022	2021	2022	2021
	Shares	Shares	$	$
Balance at beginning of the reporting period	245,175,853	163,945,613	36,232,030	28,436,476
Issued for services in lieu of cash	465,365	-	40,487	-
Issued on exercise of options	3,725	-	926	-
Issue of ordinary shares (placement and entitlement offer)	68,539,803	81,230,240	5,003,410	8,123,024
Capital raising costs	-	-	(265,965)	(327,470)
	314,184,746	245,175,853	41,010,888	36,232,030

Options on issue

Expiry date	Number of options	Exercise price
20 March 2023	600,000	$0.0832
15 March 2025	1,000,000	$0.1747
26 November 2025	4,929,060	$0.2482
29 November 2025	6,655,000	$0.0847
28 February 2026	1,600,000	$0.076

15. Reserves

	2022	2021
	$	$
Share-based payments reserve	1,655,405	1,381,087

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. No options were issued in the period under review and no change to inputs on option valuation.

	2022	2021
	$	$
At beginning of reporting period	1,381,087	864,022
Recognised during the period	274,318	517,065
At end of reporting period	1,655,405	1,381,087

Expiry Date	Exercise Price	Balance at start of year Number	Granted in year Number	Exercised Number	Expired / cancelled Number	Balance at end of year Number
14/11/2021	$0.2485	400,000	-	-	(400,000)	-
14/11/2021	$0.4985	130,000	-	-	(130,000)	-
14/11/2021	$0.7485	100,000	-	-	(100,000)	-
14/11/2021	$0.9985	100,000	-	-	(100,000)	-
27/02/2022	$0.2382	620,535	-	-	(620,535)	-
26/11/2025	$0.2482	492,906	-	-	-	492,906
26/11/2025	$0.2482	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2482	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2482	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	$0.1747	500,000	-	-	-	500,000
15/03/2025	$0.1747	500,000	-	-	-	500,000
29/11/2025	$0.0847	-	6,655,000	-	-	6,655,000
28/02/2026	$0.0760	-	1,650,000	-	(50,000)	1,600,000
		7,879,595	8,305,000	-	(1,400,535)	14,784,060

Weighted average exercise price at 30 June 2022 $0.1744 (30 June 2021: $0.2453)

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	Expected volatility	Dividend yield	Risk-free rate
29/11/2021	29/11/2025	$0.082	$0.0847	77.39%	0%	0.10%
28/02/2022	28/02/2026	$0.074	$0.0760	69.74%	0%	0.10%
06/05/2022	28/02/2026	$0.063	$0.0760	62.64%	0%	0.33%

The Options issued on 29 November 2021 were issued with an exercise price of $0.085 and subsequently adjusted to $0.0847 on 22 February 2022 as a result of the Entitlement Offer.

16. Related party transactions

Related parties

The Company's main related parties are as follows:

Non-Executive Directors	Position
Dr Paul MacLeman	Non-Executive Chair
Ms Elizabeth McCall	Non-Executive Director
Dr Robert Peach	Non-Executive Director
Dr David Fuller	Non-Executive Director
Dr James Williams	Alternate Director to Ms Elizabeth McCall
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:

	2022	2021
	$	$
Short-term benefits (Including performance bonuses)	599,820	508,730
Post-employment benefits	21,894	27,297
Share based payments	196,405	147,906
	818,119	683,933

17. Contingent liabilities and contingent assets

The Company has lodged an advanced overseas application with AusIndustry to determine if overseas expenditure (including expenditure incurred in the period ending 30 June 2022) is eligible for the R&D Tax Incentive. Should the overseas finding be approved the estimated receivable is $2,077,927.

18. 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 costs for its Phase I human study.

19. 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% (2021: 0.00%).
Cash reserve	6	Carried at face value.	The cash reserve account is at call with an interest rate of 0.35% (2021: 0.01%).
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 and 13	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.	2022: The Loan is a Secured Loan, with an 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 (Current rate of 2.015%). 2021: The Loan was a Secured Loan, with an interest rate of 14% per annum (2020: 15% per annum). The Security was the R&D Tax Incentive refund for the financial year ending 30 June 2021.
iii) Equity			
Ordinary shares	14	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 14.

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 – 2022	2,389,567	1,613,386	-	4,002,953	4,002,953
Loan – R&D advance – 2021	1,687,491	-	-	1,687,491	1,687,491
	4,077,058	1,613,386	-	5,690,444	5,690,444

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 – 2022	0.01%	8,660,556	8,179,485	481,071
Cash and cash Equivalents – 2021	0.01%	5,791,389	4,914,843	876,546

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.

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

Reconciliation of cash flow from operations with profit after income tax

	2022	2021
	$	$
Loss after income tax expense for the year	(6,061,015)	(5,628,354)
Adjustments for:		
Depreciation and amortisation	33,112	29,079
Share-based payments	274,318	517,065
Interest expense and borrowing costs	111,387	97,636
Change in operating assets and liabilities:		
(Increase) / decrease in receivables	1,318,731	256,006
(Increase) / decrease in non-current assets	-	77,918
(Increase) / decrease in current assets	(56,612)	(77,918)
Increase / (decrease) in payables	233,808	21,215
Increase / (decrease) in provisions	96,582	40,465
Increase / (decrease) in other current liabilities	(38,849)	(114,854)
Net cash used in operating activities	(4,088,538)	(4,781,742)

21. Dividends

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

22. Remuneration of auditors

On 1 July 2022 Butler Settineri changed its name to Dry Kirkness. 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:

	2022	2021
	$	$
Audit services – Dry Kirkness (Audit) Pty Ltd		
Audit or review of the financial statements	31,993	24,238

23. Significant changes in the state of affairs

The Company is fortunate that to date its major programs have not been materially affected by the COVID-19 environment. A comprehensive risk assessment and contingency plan is in place and continuously evaluated.

The Company continues to actively monitor literature reporting a likely significantly increased burden of lung fibrosis in patients recovering from COVID-19 infection and clinical studies exploring the long-term progression of this fibrosis. This enables the potential of AD-214 to contribute to the long-term care of these recovering patients to be assessed.

24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 2022

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 2022 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

29 August 2022
Melbourne

DRY KIRKNESS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADALTA LIMITED

Report on the 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 2022, 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 2022 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.

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 14* 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 14. We also assessed whether or not 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.	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 1.
Revenue Recognition *Refer note 3* During the year, the company continued a revenue contract with a customer for the use of research and development information and intellectual property.	We assessed the contract and revenue recognition and determined that revenue has been recognised in accordance with AASB 15 Contracts with Customers.

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 2022, 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 23 to 27 of the directors' report for the year ended 30 June 2022.

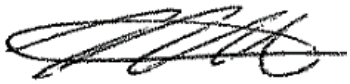
In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

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: 29 August 2022

SHAREHOLDER INFORMATION

30 JUNE 2022

The shareholder information set out below was applicable as at 16 August 2022.

(a) Distribution of equitable securities

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

Ordinary Shares	# of holders	# of units	% Issued share
1 to 1,000	37	3,189	-
1,001 to 5,000	148	515,111	0.16%
5,001 to 10,000	263	2,060,247	0.66%
10,001 to 100,000	702	26,721,675	8.51%
100,001 and over	311	284,884,524	90.67%
	1,461	314,184,746	

The number of shareholders holding less than a marketable parcel of shares are 383.

(b) Voting rights

Ordinary shares

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

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

Position	Holder name	Holding	IC
1	YUUWA CAPITAL LP	54,059,848	17.21%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	49,631,846	15.80%
3	MEURS HOLDINGS PTY LTD – P&M MEURS SUPERANNUATION A/C	20,123,655	6.41%
4	RADIATA FOUNDATION LTD	11,114,656	3.54%
5	SACAVIC PTY LTD – MORRIS SUPER FUND A/C	10,309,799	3.28%
6	HB BIOTECHNOLOGY LTD	8,611,850	2.74%
7	SKIPTAN PTY LTD – P&M MEURS FAMILY A/C	6,440,589	2.05%
8	CITYCASTLE PTY LTD	4,302,320	1.37%
9	LA TROBE UNIVERSITY	3,041,330	0.97%
10	BAULDIA PTY LTD – BONAVENTURE SUPER FUND A/C	2,817,874	0.90%
11	JAGEN PTY LTD	2,500,000	0.80%
12	MR KEVIN JOHN CAIRNS & MRS CATHERINE VALERIE CAIRNS – CAIRNS FAMILY SUPER A/C	2,250,000	0.72%
13	MR ROBIN ARTHUR BEAUMONT & MS HELEN ELAINE SHINGLER – LRF PENSION A/C	2,080,000	0.66%
14	EVOLUTION CAPITAL PTY LTD	2,053,842	0.65%
15	CITICORP NOMINEES PTY LIMITED	2,013,995	0.64%
16	CASTLE MANOR PTY LTD – ARRENDENE HOLDINGS A/C	2,000,000	0.64%
17	MR IAIN ROSS	1,800,000	0.57%
18	MR NEIL COLIN MANSFIELD	1,600,000	0.51%
18	MRS GWEN MURRAY PFLEGER – PFLEGER FAMILY A/C	1,600,000	0.51%
18	MR ALISTAIR DAVID STRONG	1,600,000	0.51%
19	GRIFFIN & GRACE INVESTMENTS PTY LTD – GRIFFIN & GRACE INV S/F A/C	1,509,662	0.48%
20	MR ADAM JOHN ALLCOCK	1,500,000	0.48%
	Total	**192,961,266**	**61.42%**
	Total issued capital	**314,184,746**	**100.00%**

(c) Substantial shareholders

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

Position	Shareholder	Holding	% IC
1	YUUWA CAPITAL LP	54,059,848	17.21%
2	PLATINUM INVESTMENT MANAGEMENT LTD	49,048,028	15.61%
3	MEURS HOLDINGS PTY LTD – P&M MEURS	26,564,244	8.45%

(d) Unquoted securities

Details of substantial holders:

Number	Number of holders	Class	Holders of more than 20%
14,784,060	18	Options expiring various dates and various prices	Timothy Oldham 41.46% (6,129,060) Paul Macleman 20.66% (3,055,000)

(e) Use of funds

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