AdAlta

next generation protein therapeutics

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

ADALTA LTD

ABN 92 120 332 925

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CORPORATE DIRECTORY

DIRECTORS

Dr Paul MacLeman

Dr Timothy Oldham

Ms Elizabeth McCall

Dr Robert Peach

Dr David Fuller (appointed 22 July 2020)

Dr James Williams (alternate to Elizabeth McCall)

COMPANY SECRETARY

Mr Cameron Jones

REGISTERED OFFICE

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Bundoora Vic 3083

AUDITOR

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Unit 16, First Floor,
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Subiaco, Western Australia 6008

SHARE REGISTRY

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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

In FY2021 we have continued to make substantial progress in progressing our i-body enabled assets and expanding our pipeline.

Our lead asset, AD-214, has now successfully completed a Phase I clinical trial, demonstrating an excellent safety profile in single and multiple intravenous doses in healthy volunteers. We also successfully developed a radio-labelled version of AD-214 for PET imaging, with pre-clinical studies demonstrating the value of this asset as a translational research tool. We now have a clear pathway to clinical trials in Idiopathic Pulmomary Fibrosis (IPF) patients using a patient preferred, inhaled formulation of AD-214. Despite some unexpected results in pre-clinical imaging, we continue to believe that AD-214 could offer an important new option for sufferers of debilitating fibrotic diseases.

Our commercial collaboration with GE Healthcare moved to the next phase, following the successful identification of multiple i-bodies to be advanced into pre-clinical development for use as a potential PET diagnostic imaging agent. Delivering on our strategic agenda to expand our pipeline, we also entered a collaboration with Carina Biotech Pty Ltd (Carina) to develop precision engineered, i-body enabled, CAR-T cells with potential to make these breakthrough therapies available to a wider range of patients with cancer. Both these collaborations provide commercial validation of our platform.

AdAlta is now in the middle - or expansion - phase of the growth strategy we outlined in 2020. Our near-term strategic priorities remain:

1. **Continue AD-214 progression through clinical value inflection points.**

Clinical studies in patients are planned upon resupply of clinical AD-214 drug product in mid-2023 and our aim is to develop a patient preferred, inhaled formulation of AD-214 for these studies. Formulation and pre-clinical distribution and efficacy studies will be conducted during FY22.

2. **Add additional assets to our internal pipeline.**

We are in the final stages of selecting two new GPCR targets in the fields of fibrosis, inflammation and oncology and anticipate commencing discovery research by the end of 2021.

3. **Progress multiple collaborations through our external pipeline**.

Our collaboration with GE Healthcare has now progressed into pre-clinical development and we continue to assist with manufacturing process development. Further updates are expected in the first half of CY2022. The PET imaging agents that GE Healthcare is developing could generate royalty revenue for AdAlta much earlier than AD-214. In FY22 we also anticipate first experimental results from our new collaboration with Carina and we are continuing our business development efforts to add further collaborations to our external pipeline.

4. **Continue to invest in our i-body platform.**

It is important that we invest to keep our platform technology at the forefront of drug discovery technologies. Early results show great promise that we can improve the efficiency and intellectual property protection of our i-body platform.

I would like to acknowledge and thank you, our shareholders, who supported us last year with $8.1 million new funds under a placement and entitlement issue to progress AD214 though Phase I trials and for your continued support and encouragement of our strategy.

Finally, the COVID-19 pandemic has continued to disrupt individuals, companies and economies in unprecedented ways in 2021. AdAlta is in the fortunate position that our laboratories, collaborators and clinical trial sites have generally been able to remain open and our programs suffered only minor delays as a result. Our thoughts are with all those less fortunate than us, and particularly with the survivors of COVID-19 infection who it would appear may be at greater risk of developing lung fibrosis. This highlights even more the importance of the work we are doing to bring AD-214 to the lung fibrosis patients who so desperately need new therapeutic options.

Paul MacLeman
Chair

CEO AND MANAGING DIRECTOR'S LETTER

AdAlta's purpose is to generate a broad portfolio of i-body enabled drugs which can treat diseases that are challenging for 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 partnering (i.e. more assets like AD-214), while also progressing an external pipeline of assets co-developed with partners who provide the target (i.e. more collaborations like that with GE Healthcare).

During the past year our asset advancement and pipeline expansion initiatives gained strong momentum. This was exemplified by the successful completion of a Phase I clinical trial for AD-214, the progress we made through the collaboration with GE Healthcare which passed its first major milestone, then moved into preclinical development; as well as the establishment of our next collaboration with Carina (announced after year end). The Company is on track to achieve its goal of five active programs by the end of 2021. We are well into the expansion phase of the growth strategy outlined in March 2020.

Drug development is rarely a straight line and unexpected results do occur. Our success will ultimately be determined by how we adapt to and incorporate these results as they occur. The unexpected result for FY2021 was of course the finding, through PET imaging, that a large proportion of the administered intravenous dose of AD-214 rapidly distributed to the liver of mice and non-human primates. This finding appropriately raised a number of important questions and I am proud of the way our team and collaborators worked through these questions quickly and systematically so that we now have a clear pathway and plan towards our next clinical trial of AD-214, planned to be with a preferred, inhaled formulation. The value of PET imaging as a translational research tool has now proven its worth.

AD-214 has been developed to date for intravenous administration. I have always believed that a more convenient route of administration would be preferred for chronic treatment of Idiopathic Pulmonary Fibrosis (IPF), the lead indication for AD-214, however intravenous administration was the simplest, and potentially fastest, way to obtain safety and initial efficacy data. After evaluating the current status of inhalation technology for biologic drugs, we determined that an inhaled formulation of AD-214 is feasible and clearly offers greater patient convenience, reduced cost of goods and also the potential to partner AD-214 separately for each fibrosis indication. We chose to lock in resupply of clinical AD-214 prior to the end of the Phase I program, setting an earliest possible date for our next clinical trial in mid-2023. We have also determined that it is feasible to develop an inhaled formulation of AD-214 prior to this using the drug substance we have on hand.

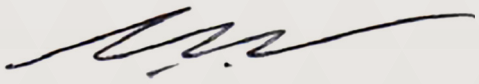
So we will now move into our next clinical trials, which will be designed to test efficacy as well as safety, with a patient preferred formulation that brings significant additional advantages – such as improved cost of goods and ease of delivery. We have concluded the Phase I intravenous safety studies early as they have achieved their objective and demonstrated an excellent safety profile for the AD-214 molecule. We have also decided not to proceed with the planned Phase Ib study of AD-214 in patients with PET imaging. Due to the pre-clinical PET imaging results, we now know the Phase Ib study would be unlikely to enable us to confirm distribution of AD-214 to tissues of interest. We believe we will be able to obtain this information with further pre-clinical imaging during inhaled formulation development.

It is also important to note several other findings. First, the rapid liver distribution appears to be linked to AD-214 only and has not been observed with other i-bodies imaged to date. Other programs have not been disrupted or impacted. Secondly, we are continuing to work on other indications for AD-214 that do not require systemic administration such as eye fibrosis. Thirdly, we also continue to work on improved intravenous formulations of AD-214 that may reduce or eliminate liver localisation, opening up further possible indications for AD-214.

We look back proudly upon a year which included significant successes. Completing our first ever clinical trial and demonstrating the safety of AD-214 is a significant milestone. Our collaboration with GE Healthcare deepened and we have entered an exciting new collaboration with Carina. These are all significantly value driving events for shareholders and we look forward to seeing progress under each arm of our strategy play out further in FY22.

The market need for new anti-fibrotic products, the potential patient benefits and early royalty revenue potential from our GE collaboration and the enormous interest in next generation CAR-T products for solid tumours combine to provide great confidence in the potential of the i-body platform to create valuable assets that will generate demand from potential partners and returns for shareholders.

I would like to thank the whole AdAlta team and the board for their contributions through this transformational year, 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 2021. 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

Joined the Board and was appointed as Chair on 16 April 2015. Dr MacLeman 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, Dr MacLeman has expertise in capital raising, business development, technology commercialisation and sales & marketing globally. Dr MacLeman 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. Dr MacLeman has previously served as Chairman, Director or Managing Director/CEO of several VC funded, ASX, NASDAQ, CSE and TSX listed companies. Dr MacLeman is currently Executive Chairman of Island Pharmaceuticals Limited, Chairman of SuperTrans Medical Limited and nonexecutive director of Upkara Inc. and Upkara Asia Pacific Pty Ltd. Dr MacLeman Chairs the Industry Review Committee for the Pharmaceutical Manufacturing National Training Package for the AISC. He is an expert advisor to PharmaVentures (Oxford, UK) and Mind Medicine. Dr MacLeman also serves on a number of other NFP and government advisory groups. Dr MacLeman holds a degree in veterinary science, post-graduate engineering and governance qualifications, and an MBA from MGSM.

Dr Timothy Oldham

BSc(Hons), LLB (Hons), PhD

Managing Director and CEO, joined the Board on 8 October 2019. Tim has almost 20 years of life sciences business development, alliance management, portfolio and product development, and commercialisation experience in Europe, Asia and Australia, with a particular focus on biologics, cell and gene therapies and pharmaceutical product. Immediately prior to this, he was Executive Leader of Tijan Ventures, an advisory business focussed 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 the not-for-profit Ear Science Institute Australia and also of Argenica Therapeutics Ltd (ASX:AGN), Agworld Pty Ltd, Nexgen Plants Pty Ltd 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, 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
Appointed 22 July 2020.

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	30,000
Dr Timothy Oldham	211,000	4,929,060
Ms Elizabeth McCall[1]	166,668	-
Dr Robert Peach	1,295,999	200,000
Dr David Fuller	187,260	-
Dr James Williams[1]	253,334	-

[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
400,000	Ordinary	$0.2485	14 November 2021
130,000	Ordinary	$0.4985	14 November 2021
100,000	Ordinary	$0.7485	14 November 2021
100,000	Ordinary	$0.9985	14 November 2021
620,535	Ordinary	$0.2385	27 February 2022
600,000	Ordinary	$0.085	20 March 2023
1,000,000	Ordinary	$0.175	15 March 2025
4,929,060	Ordinary	$0.2485	26 November 2025

During the year 1,000,000 options were issued to employees (2020: 4,929,060). No share options were exercised by key management personnel during the year (2020:Nil).

A total of 23,345,078 listed options expired unexercised on 30 June 2021. The listed options had an exercise price of $0.2485.

On 2 July 2021 a total of 3,725 ordinary shares were issued on exercise of listed options for gross proceeds to the Company of $925.

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 2021, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Dr Paul MacLeman	7	7	1	1	2	2
Dr Timothy Oldham	7	7	-	-	-	-
Ms Elizabeth McCall	7	7	1	1	2	2
Dr Robert Peach	7	7	1	1	2	2
Mr David Fuller	7	7	-	-	-	-

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

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

Auditor's independence declaration

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

Operating and Financial Review

Summary of principal activities

AdAlta Ltd (**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 against drug targets that challenge traditional antibody technologies and in doing so create novel therapies for high unmet need medical conditions.

i-bodies are a new class of small, targeted, fully human proteins modelled on the single domain antibodies found in the shark immune system. They have been engineered to mimic 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, offering the potential for new drugs against substantial unmet medical needs.

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, with an initial focus on 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 collaboration with GE Healthcare Inc (**GE Healthcare**) is an example. AdAlta is discovering i-bodies that bind to 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 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 get patients onto the right I/O drug and avoid treatments that do not work.

AdAlta has a second collaboration with Carina Biotech Pty Ltd (**Carina**) to develop precision engineered, i-body enabled chimeric antigen receptor T cell (**CAR-T cell**) therapies that provide new hope for patients with cancer. AdAlta's i-bodies will be used in the antigen binding region of Carina's CAR-T cells. In this application, the i-body provides targeting capability for the T cell cargo.

A third application of i-bodies is to combine them to create multi-functional antibodies. Combining two i-bodies binding to different targets can result in novel therapeutic outcomes. For example, one of the objectives of the collaboration with Carina will be the creation of bi-specific CAR-T cells to improve targeting of solid tumours and reduce damage to healthy tissue.

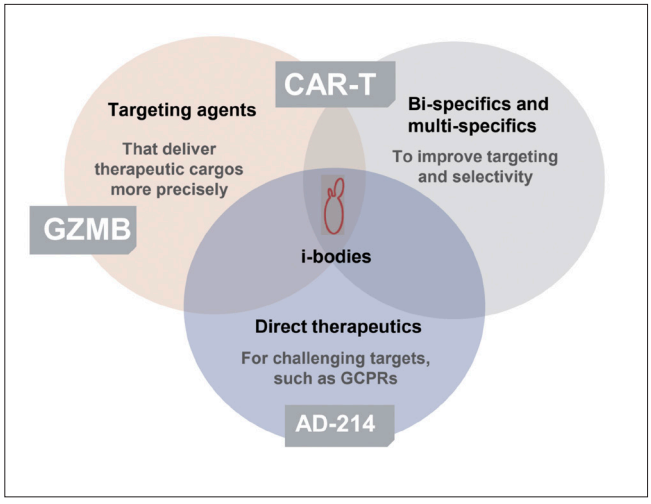


Figure 1: Applications of i-bodies

The primary focus of the FY2021 year was to progress Phase I clinical trials of AdAlta's lead i-body enabled candidate, AD-214; complete the discovery of i-bodies suitable for pre-clinical development under our collaboration with GE Healthcare; and to prepare for expansion of our pipeline.

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 with high unmet need. 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 demonstrates that AdAlta can develop i-body enabled products from discovery to clinical trials. The GE Healthcare and Carina collaborations demonstrate 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.

- 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 complimentary 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 will initially be 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 will be 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 to larger biopharmaceutical companies to complete clinical development and obtain regulatory approval, reimbursement and commercial launch. AdAlta anticipates receiving upfront and development milestones and royalties on commercial success.

AD-214 is the first example of this strategy and AdAlta has set a goal to add up to five new internal development candidates to the pipeline by 2023, with discovery to commence on the next two prior to the end of 2021.

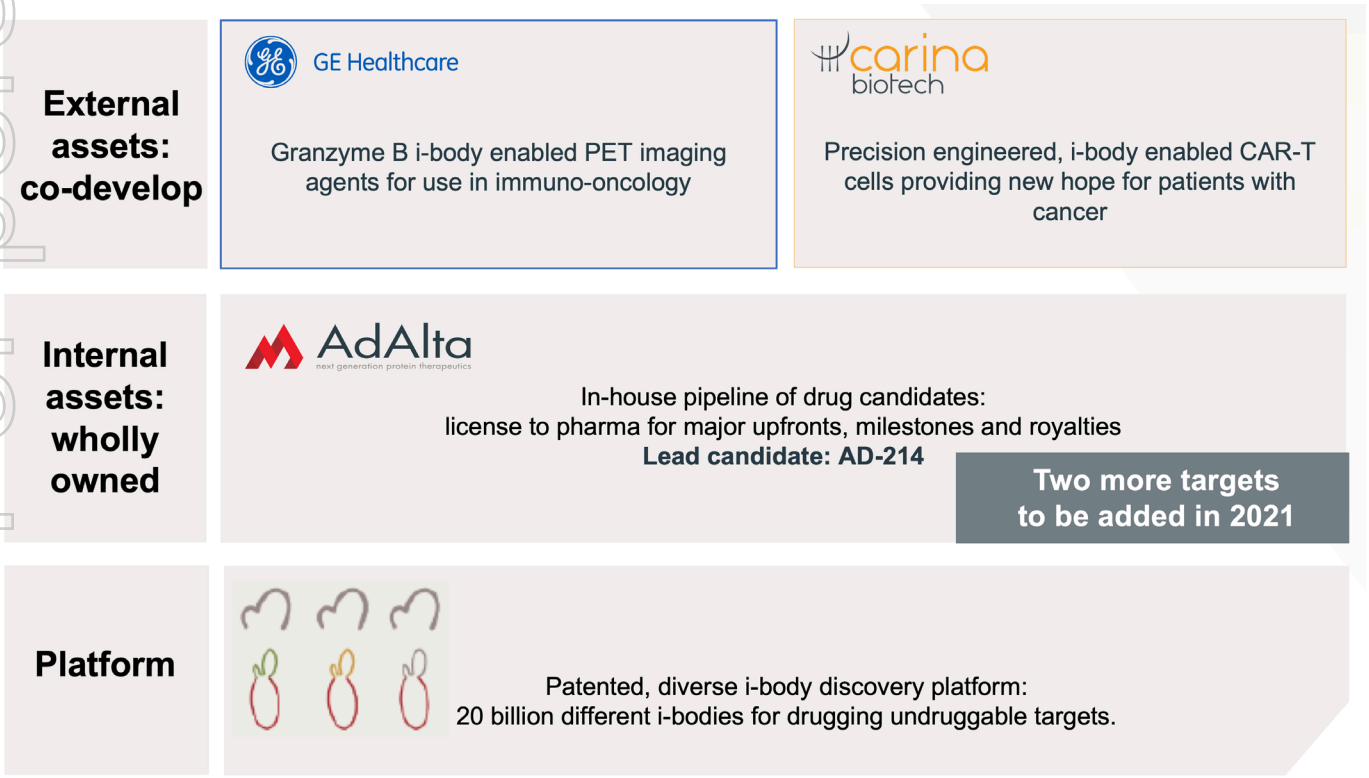


Figure 2: AdAlta's business model to create value from the i-body platform

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 complimentary 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 against 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. AdAlta has set the goal of adding 2-4 additional collaborations by 2023.

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. The immediate strategic priorities are:

1. AD-214: develop a more patient convenient inhaled formulation for inclusion in next clinical trial of AD-214 in IPF; continue to generate pre-clinical data and develop suitable formulations for other fibrotic indications; continue to build a pipeline of potential commercialisation partners.

2. Internal pipeline assets: progress development projects against two new targets.

3. External pipeline assets: support i-body manufacturing development as GE Healthcare progresses pre-clinical development of an i-body enabled PET imaging agent for immuno-oncology; conduct discovery and selection of i-bodies against first two targets under Carina collaboration; further expand the range of collaborations in the Company's external pipeline.

4. i-body platform: invest in continuous improvement, extending AdAlta's intellectual property protection to ensure that the i-body platform remains at the forefront of tools available to address the drug targets that most challenge the biopharmaceutical industry today.

Pipeline

Figure 3 summarises AdAlta's pipeline today and its anticipated evolution.

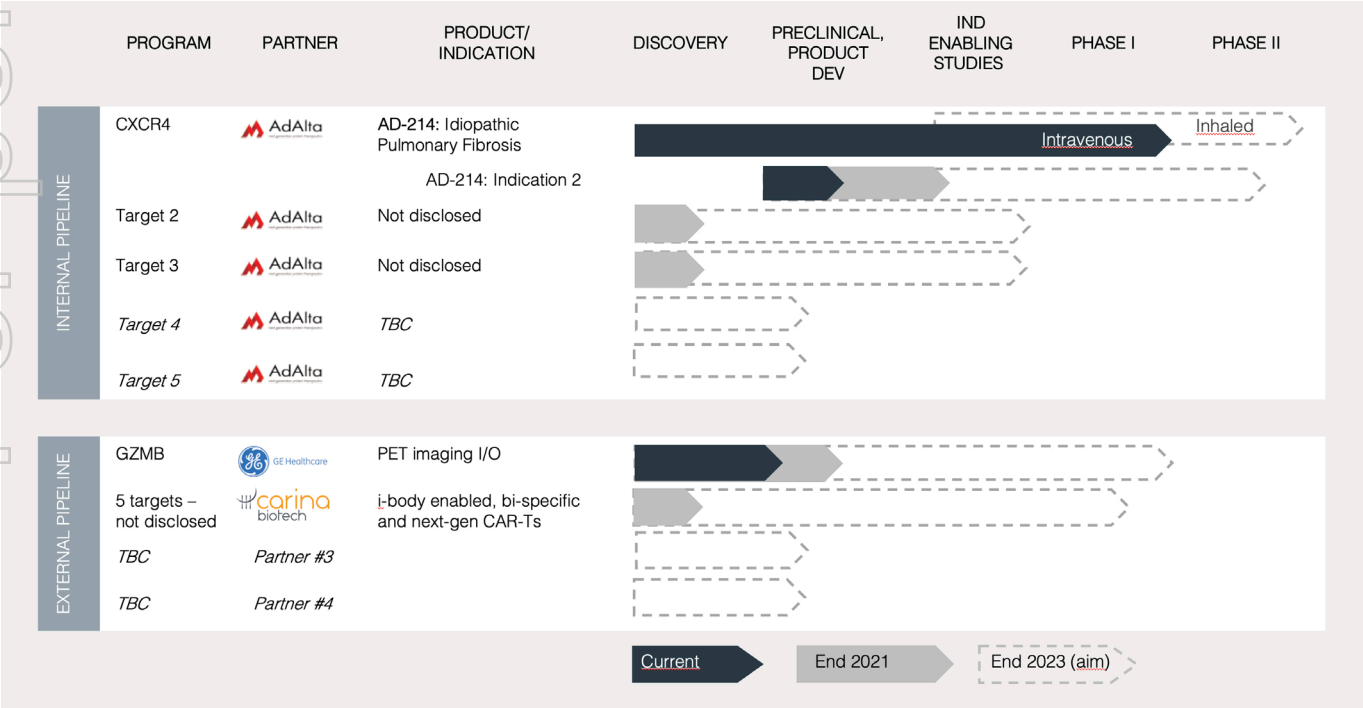


Figure 3: AdAlta's asset pipeline

AD-214

AdAlta's most advanced asset, AD-214, is a first-in-class product being developed to treat fibrotic diseases, with an initial focus on degenerative Interstitial Lung Disease (**ILD**) including the orphan (rare) disease Idiopathic Pulmonary Fibrosis (**IPF**). 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 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.

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

AD-214 has completed a Phase I clinical trial in healthy volunteers at single doses up to 20 mg/kg and multiple doses at two-week intervals at 5 mg/kg. AD-214 demonstrated an excellent safety profile via the intravenous route of administration and 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. Multiple dose study results were consistent with those of single dose studies except for mild infusion related reactions in some participants that were attributed to the formulation rather than the AD-214 drug substance.

A radio-labelled version of AD-214 has been developed to enable *in vivo* PET imaging of AD-214 distribution to CXCR4 receptors and tissues other than the blood and immune system. Initial pre-clinical imaging studies 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 has not been associated with any adverse safety signals.

AdAlta is now progressing development of a more patient convenient 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 mid-2023. An inhaled formulation offers greater patient convenience, increased dosing flexibility, lower cost of goods and the potential to select different partners for AD-214 for IPF and other indications. AdAlta is also continuing to evaluate other formulations of AD-214 that are more suitable for intravenous administration and/or other fibrotic indications that do not require systemic administration such as eye fibrosis.

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

AdAlta's first external product candidate is being developed through a co-development collaboration with GE Healthcare that commenced in 2019. GE Healthcare is one of the world's leading diagnostic imaging companies.

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[1]. Today there is no simple way to determine if any given patient is responding to a particular check-point inhibitor. Granzyme B is an enzyme secreted by activated immune cells and serves to kill the target pathogen or cell. Detecting increases in granzyme B 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.

AdAlta's collaboration with GE Healthcare is seeking to discover i-bodies that bind to granzyme B and can be coupled to GE Healthcare's radio-isotopes to create PET imaging agents for use as diagnostic agents for patients receiving I/O drugs. Our commercial collaboration with GE Healthcare moved to the next phase, following the successful identification of multiple i-bodies to be advanced into pre-clinical development. AdAlta is providing ongoing manufacturing and *in vitro* assay support for which it continues to earn research fees.

i-body enabled, precision engineered CAR-T cells

The objective of AdAlta's second external product collaboration with Carina, which commenced in 2021, is to develop precision engineered, i-body enabled 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, chimeric antigen receptor (**CAR**) that enables the T cell to recognise cancer. The CAR-T cells are readministered to the patient where they can now locate and kill cancer cells.

Under this collaboration, AdAlta and Carina will develop CAR-T cell products against up to 5 solid tumour antigens. AdAlta will discover i-bodies against 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.

[1] P Sharma, et al, Cell 168(4) 707 (2017)

Figure 3: Recent licensing deals in IPF

i-bodies are ideally suited for use in CAR-T cells. i-bodies can be utilised as the binding domain of a CAR receptor that engages the tumour antigen. The small size and unique targeting capabilities of i-bodies may provide access to a wider range of targets than the binding domains used in other CAR-T cells. The small size also provides greater flexibility and design options for CAR-T cells. This makes it ideally suited to the production of bi-specific CARs, dual CARs and multifunctional CARs where it 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 the two problems: 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, therefore 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, 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 "aging" and are better placed to overcome both barriers to solid tumour access and the immunosuppressive environment within the tumour.

[2]GlobalData Dec 2019
[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

Commercial opportunity

IPF and fibrosis – 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[2], 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 that may be possible in IPF are shown in Figure 3.

In addition, it has been reported that the burden of fibrotic lung disease following SARS-CoV-2 infection is likely to be high, and suggested that antifibrotic therapies could 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

Manufacturer	NOVARTIS	Kite A GILEAD Company	Kite A GILEAD Company	Bristol Myers Squibb	Bristol Myers Squibb
Drug name	KYMRIAH (tisagenlecleucel)	YESCARTA (axicabtagene ciloleucel)	TECARTUS (brexucabtagene autoleucel)	Breyanzi	Abecma
					
Status FDA approved	**August 2017 (acute lymphoblastic leukemia, large B cell lymphoma)**	**October 2017 (large B cell lymphoma)**	**July 2020 (mante cell lymphoma)**	**February 2021 (large B cell lymphoma)**	**March 2021 (multiple myeloma)**
Notable CAR-T transactions	**UPenn and Novartis Alliance Aug 2012**	**Gilead acquired Kite Aug 2017 US$11.9b**	**Gilead acquired Kite Aug 2017 US$11.9b**	**Celgene acquired Juno Jan 2018 US$9b; BMS acquired Celgene Jan 2019 US$74b**	**Celgene acquired Juno Jan 2018 US$9b; BMS acquired Celgene Jan 2019 US$74b**
US$ revenue 2020	**US$474m**	**US$569m**	**US$44m**	**N/A**	**N/A**

Figure 4: US approved CAR-T cell therapies and related transactions[13]

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 against some of the 23 or more cancers with which CXCR4 is associated.

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, funded i-body discovery activities, and is now funding additional AdAlta support for manufacturing development. 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.

The market for PET imaging agents is estimated to reach US$6.4 billion by 2027[5], with the largest products generating sales in excess of US$400 million in 2007[6]. The market for I/O drugs is forecast to reach US$95 billion by 2026[7] and if just 1-2% is spent on imaging agents, the I/O biomarker PET imaging market could be US$1-2 billion[8].

CAR-T 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 five 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[9].

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[10]. Revenues from solid tumour CAR-T cell therapies are forecast to exceed revenues from blood cancer CAR-T cell therapies by 2030[11].

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.

[5]Global Industry Analysts, Imaging Agents: Global Market Trajectory and Analytics, April 2021
[6]AD Nunn, J Nucl Med (2007) 169
[7]ResearchandMarkets.com, Immuno-Oncology - Market Analysis, Trends, Opportunities and Unmet Needs - Thematic Research, March 2021
[8]Pitt Street Research, GE Collaboration Bodes Well, 1 July 2021
[9]Carina Biotech analysis
[10]Grandview Research, T-cell Therapy Market Size, Share & Trends Analysis Report 2021 – 2028, Feb 2021
[11]Polaris Market Research, CAR-T Cell Therapy Market Share, Size, Trends, Industry Analysis Report 2021 – 2028, June 2021

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[12]. Big pharma are actively participating, with Novartis, Gilead, Astellas, Janssen, BMS, Bayer, AbbVie and Celgene all completing deals in the past 4 years.

Platform technologies – i-bodies

AdAlta's i-body technology is applicable in the global antibody market, worth US$131 billion in 2019[14]. i-bodies are a member of 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, ten years after its first product commenced clinical trials, 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[15]. Of the 400 known GPCRs (excluding those associated with the sense of smell), only 108 are acted on by approved drugs (and even then not optimally) with only 66 more 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 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.

[12]BioInformant, CAR-T funding brief – financing rounds, acquisitions and IPOs, 2021

[13]https://www.businesswire.com/news/home/20210204006011/en/Gilead-Sciences-Announces-Fourth-Quarter-and-Full-Year-[14]2020-Financial-Results; https://www.novartis.com; https://www.celgene.com/newsroom/cellular-immunotherapies/celgene-corporation-to-acquire-juno-therapeutics-inc/

[14]MarketData Forecast, Global Antibodies Market Size, Share, Trends and Growth Analysis Report Forecast 2019 to 2024, August 2019

[15]AS Hauser et al, Nature Reviews Drug Discovery, 2017 (16) 829

Significant milestones achieved during the reporting period

AD-214

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

During the year ended 30 June 2021, AdAlta commenced and completed dosing of 50 healthy volunteer participants in the Company's first ever clinical trial. 42 participants received single doses of AD-214 up to 20 mg/kg or placebo and 8 received three doses of AD-214 at 5 mg/kg or placebo intravenously every two weeks. Single dose results were announced in March 2021 and preliminary multiple dose results were announced after the end of the reporting period.

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. From a safety perspective there were no dose limiting toxicities or adverse events of clinical concern, no concerning clinical laboratory or organ function results and no concerning immune responses. There were no differences between participants receiving single and multiple doses except for moderate infusion related reactions in some participants receiving both placebo and active drug that was attributed to the formulation. The supervising Human Research Ethics Committee approved further dose escalation in the multi-dose program prior to the Company electing to conclude the study.

The pharmacokinetic profile of AD-214 (concentration in the blood) increased linearly with dose and demonstrated rapid serum clearance. AD-214 was shown to bind to and occupy the CXCR4 receptors on white blood cells well beyond the clearance from circulation, supporting a potential pharmacodynamic and therapeutic effect that is not dependent on circulating drug concentration. The level and duration of receptor occupancy increased with dose, with more than 60% receptor occupancy observed at three weeks following a single dose at 20 mg/kg, supporting extended dosing. Biomarkers of CXCR4 engagement include circulating white blood cell and blood stem cell counts and serum concentrations of SDF-1, the natural ligand of AD-214. All showed the expected transient and dose dependent increases following administration of AD-214. Multiple dose pharmacokinetic and pharmacodynamic results were consistent with single dose results and there was no evidence of drug tolerance or drug accumulation across multiple doses.

PET tracer development informs development of inhaled formulation for next clinical studies

In December 2019, the Company announced the award of A$1 million over two years from the Australian Government's Medical Research Future Fund (**MRFF**) through the Biomedical Translation Bridge (**BTB**) program to develop and clinically evaluate a radiolabeled version of AD-214 (RL-AD-214) for imaging of the cell surface receptor CXCR4 (the target of AD-214) in IPF patients.

During the year ended 30 June 2021, the development and pre-clinical evaluation of RL-AD-214 was completed. Pre-clinical imaging in healthy mice and non-human primates conducted during the period and reported post period end demonstrated the value of this technique. These studies showed that, in addition to localizing in tissues containing high concentrations of CXCR4 expressing immune cells, more than half the administered dose of AD-214 rapidly distributed to the liver where it is unavailable for therapeutic effect. This rapid liver distribution appears to be unique to AD-214 (it has not been observed for other i-bodies tested to date) and has not been associated with any adverse events or changes in liver function in pre-clinical toxicology or human clinical studies to date.

This program has thus achieved its near-term objective early, enabling visualization of AD-214 distribution and informing optimal dosing and route of administration. AdAlta will now progress an inhaled form of AD-214 into future clinical studies for IPF while continuing to explore improvements to the intravenous formulation for other indications.

Regulatory and intellectual property portfolio advances

On 24 February 2021, AdAlta announced that the US Food and Drug Administration (FDA) had granted an Orphan Drug Designation to AD-214 for IPF. Orphan Drug Designation is designed to encourage and provide special incentives to biopharmaceutical companies that undertake the development of promising potential treatments for rare or 'orphan' diseases that affect fewer than 200,000 people in the United States.

Orphan Drug Designation entitles AD-214 to certain benefits during development for IPF including eligibility for seven years market exclusivity post approval, tax credits of 50% of qualified clinical drug testing costs awarded upon approval, additional protocol assistance, reduced review times and waiver of certain marketing authorisation application fees. In addition to bringing novel therapies to sufferers of rare diseases more rapidly, these benefits add additional economic value to AD-214 for AdAlta and its eventual commercialisation partners.

On 19 May 2021, AdAlta announced that Japan Patent Number 6863897 entitled "CXCR4 binding molecules and methods of use thereof" was granted by the Japanese Patent Office with an expiration date of 8 January 2036. This patent includes the composition of AD-214 and its use in therapeutic and diagnostic applications, including IPF.

Pre-clinical studies for indication extension

AdAlta continues to evaluate AD-214 in multiple pre-clinical models of fibrosis and cancer.

Granzyme B PET imaging agent progresses to preclinical development

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.

During the period ended 30 June 2021, AdAlta successfully completed the i-body discovery phase and GE Healthcare exercised its option to progress a panel of i-bodies binding granzyme B into pre-clinical development. The companies also extended the scope of their collaboration, with AdAlta now providing additional support for i-body manufacturing development and *in vitro* testing.

GE Healthcare paid AdAlta A$763,190 in research fees related to the discovery stage of the collaboration during the financial year, bringing the total fees and milestones paid to date under the collaboration to A$1,379,009. Additional research fees will be paid in future for AdAlta support during pre-clinical and manufacturing development.

Business development

During the year AdAlta continued to develop relationships with potential licensing partners for AD-214 and i-body co-development partners. The Company now anticipates that the first significant partnering opportunity for AD-214 will open prior to commencement of the next clinical trial once pre-clinical data on the efficacy and distribution of the inhaled formulation of AD-214 is available. The Company is also pleased with the pipeline of potential i-body co-development partners with several under confidentiality agreement or evaluating the i-body technology under material transfer agreements.

COVID-19 response

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.

AdAlta's laboratories at La Trobe University have remained

continuously open though out 2020 and 2021, with remote working where possible and modified work practices implemented. The Phase I trial was conducted at CMAX Clinical Research in Adelaide and Scientia Clinical Research in Sydney to mitigate risks to healthy volunteer recruitment.

AdAlta is observing increases in lead times and supply shortages for some laboratory consumables, manufacturing raw materials, and contract manufacturing capacity. In particular, lead times for contract manufacturing of biologics are extending significantly. To mitigate this impact, AdAlta has now secured a manufacturing slot for the next batch of clinical grade AD-214 to support future clinical trials. Drug product is now anticipated to be available for these trials in mid-2023. There may be longer term impacts on the state of affairs of the Company or the environment within which it operates, the extent of which the Company cannot currently estimate.

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.

Financial results

The loss for the company after providing for income tax amounted to $5,628,355 (30 June 2020: $6,006,456).

The year ended 30 June 2021 operating results included the following:

	2021	2020
	$	$
License and collaboration Income	848,190	615,819
R&D tax incentive	2,854,818	3,143,912
Other revenue	281,365	68,000
Research and development expenses (external)	(6,233,515)	(7,012,240)
Corporate administration expenses	(1,333,098)	(1,036,613)
Share based payment expenses	(517,065)	(590,458)
Employee benefit expense	(1,088,689)	(816,152)

Financial liquidity and capital resources

The Company began the year with $3.37 million cash at bank.

On 11 August 2021, the Company completed a Placement of 40,000,000 ordinary shares and on 7 September 2021, the Company completed a fully allocated Entitlement Issue of 40,986,403 ordinary shares and a further placement of 243,837 ordinary shares, raising $8.12 million of new funding before costs. Almost 70% of funds raised were from existing shareholders.

On 25 June 2021, AdAlta announced a loan facility with Radium Capital providing the Company with immediate access to up to 80% of its estimated accrued RDTI rebate for the three quarters to 31 March 2021. As at 30 June 2020, the Company had drawn funds of $1.68 million under this facility which is secured against the FY2021 RDTI refund.

On 2 July 2021, the Company announced the issuance of 3,275 ordinary shares following exercise of listed options, raising $926 in new funding before costs. 23,345,078 listed options expired unexercised on 30 June 2021.

Net cash flow from operations, including RDTI refund of $3.14million (prior year: $3.50million), was an outflow of $4.78million (prior year: $5.89million).

The Company ended the year with $5.79 million cash at bank on 30 June 2021.

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

On 22 July 2020, the Company appointed Dr. David Fuller as a Non-Executive Director.

Events after the reporting period

On 1 July 2021, AdAlta announced that it had accepted an AD-214 clinical material resupply proposal under a master services agreement with its contract manufacturing partner, KBI Biopharmaceuticals Inc. The scheduled production of

bulk AD-214 will mean clinical drug product is available for the commencement of clinical trials in patients in the first half of 2023.

On 2 July 2021 a total of 3,725 ordinary shares were issued on exercise of listed options for gross proceeds to the Company of $925.

On 19 July 2021, the Company announced the preliminary results of multi-dose intravenous studies of AD-214 in healthy volunteers and the results of pre-clinical development of RL-AD-214 for PET imaging. Taking the totality of these results and the next available clinical supplies of AD-214, AdAlta has elected to advance the development of an inhaled formulation of AD-214. An inhaled formulation will offer greater patient convenience, more flexible dose scheduling and lower cost of goods. Importantly, AdAlta anticipates that the development of an inhaled formulation can occur within the time available prior to the commencement of the next clinical studies of AD-214 in patients, resulting in no delay in the timelines to efficacy data. PET imaging using RL-AD-214 will continue to inform pre-clinical development of the inhaled formulation. The Phase I program in healthy volunteers has been concluded and a planned Phase Ib protocol using RL-AD-214 in patients to assess distribution and lung tissue receptor occupancy will not proceed. AdAlta will continue to explore improvements to the AD-214 intravenous formulation for potential use in other fibrotic indications.

On 24 August 2021, AdAlta and Carina Biotech Pty Ltd announced a collaboration to develop unique, precision engineered, i-body enabled CAR-T cell therapeutics to provide new hope for patients with cancer.

Under the collaboration the parties will work together on up to 5 tumour antigen targets, commencing in a staged fashion over the next two years. The first two targets have been selected but not disclosed. AdAlta's role is to discover i-bodies against these targets. Carina's roll is to then engineer them into CAR-T cells and test them *in vitro* and then *in vivo* to demonstrate proof of concept and select optimal CAR constructs to progress as CAR-T cell therapeutics. Targets may be combined to create bi-specific CAR-Ts. AdAlta and Carina will jointly own the collaboration intellectual property and products to proof-of-concept stage. Following proof of concept, the parties may elect to continue to co-develop the products together, choose one party to continue development independently, or out-license immediately to third parties to continue development.

Other than outlined above or elsewhere in this report, there has not been any matter or circumstance that has arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments, prospects and business strategies

During FY2022 the Company's focus is on:

- Preparing for clinical studies of AD-214 in patients by developing an inhaled formulation of AD-214;
- Continuing pre-clinical studies of AD-214 in other fibrotic indications and cancer;
- Supporting manufacturing process development for granzyme B binding i-bodies with GE Healthcare;
- Initiating discovery and optimisation of i-bodies against the first two targets selected for the Carina collaboration;
- Initiating i-body discovery on two new GPCR targets for AdAlta's internal pipeline; and
- Progressing i-body platform continuous improvement initiatives.

The Company anticipates completing initial inhalation formulation feasibility studies before the end of 2021, and to demonstrate efficacy and dose optimisation in relevant animal models of IPF during the first half of 2022. These studies will include imaging to demonstrate biodistribution. Inhaled toxicology studies are planned to commence in the second half of 2022. Additional pre-clinical data in other indications is also expected during the last half of 2021.

AdAlta anticipates being able to provide an update on the progress of preclinical development of granzyme B i-body enabled PET imaging agents by GE Healthcare in the first half of 2022.

Evaluation of new GPCR targets for AdAlta's internal pipeline is on track to enable discovery research to commence on two new targets by the end of 2021.

The next steps under the collaboration with Carina are to finalise research program outlines for the first two targets during the remainder of 2021. First experimental results are expected during the first half of 2022.

AdAlta's pipeline advancement and expansion gained significant momentum during the year to 30 June 2021 as exemplified by the successful completion of a Phase I clinical trial for AD-214, progression of the collaboration with GE Healthcare through the first major milestone to preclinical development and the establishment of our next collaboration with Carina. The Company is on track to achieve its goal of five active programs by the end of 2021.

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.

Environmental regulation

The Company 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.

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 2021 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 (appointed 22 July 2020)	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.

Board fees were suspended from 1 April 2020 to 1 September 2020 as part of the Company's COVID-19 risk and management plan.

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 9.5% of salary in FY2021 (increasing to 10% in FY2022) on salary up to the statutory maximum superannuation contribution base;

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

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

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

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

Relationship between the remuneration policy and Company performance

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

Details of remuneration

Remuneration is reported as Earned Remuneration and Realised Remuneration.

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

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

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		
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	-
Dr James Williams[3] (Alternate)	-	-	-	-	-	-	-
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.

	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		
2020	$	$	$	$	$	$	$
Non-Executive Directors:[7]							
Dr Paul MacLeman[1]	71,198	-	6,764	77,962	-	77,962	-
Dr James Williams[2]	33,750	-	-	33,750	-	33,750	-
Ms Elizabeth McCall[2]	33,750	-	-	33,750	-	33,750	-
John Chiplin[3]	22,500	-	-	22,500	-	22,500	-
Dr Robert Peach	33,750	-	-	33,750	-	33,750	-
Rosalind Wilson[4]	27,397	-	2,603	30,000	-	30,000	-
Executive Directors:							
Samantha Cobb[5]	160,376	-	9,491	169,867	12,423	182,290	-
Timothy Oldham[6]	209,987	-	15,079	225,066	167,712	392,778	-
	592,708	-	33,937	626,645	180,135	806,780	-

[1]Paul MacLeman filled the role as Executive Director during the transition of outgoing CEO and Managing Director Samantha Cobb and incoming CEO and Managing Director Timothy Oldham. During this time Paul MacLeman was remunerated $21,086 in addition to the Non-Executive Chair fees.

[2]Liddy McCall and James Williams are 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. Fees paid to Yuuwa Capital LP for James Williams are only for the time James was a Director of the Company. No fees are paid while James is acting as an Alternate Director.

[3]John Chiplin resigned as a Director of the Company on 3 January 2020.

[4]Rosalind Wilson was appointed on 1 August 2019 and resigned as a Director of the Company on 27 March 2020.

[5]Samantha Cobb resigned as CEO on 12 August 2019 and as a Director of the Company on 25 August 2019.

[6]Timothy Oldham was appointed CEO and Managing Director on 8 October 2020.

[7]Non-Executive Director fees were suspended effective 1 April 2020 under the Company's COVID-19 risk management plan and were not reinstated prior to 30 June 2020. Paul MacLeman continued to receive 50% of his fee as Chair during this period.

Arrangements with Directors

Position	Annual salary (to 31 December 2020)	Annual Salary (effective 1 January 2021)
Non-Executive Chair	$65,000	$75,000
Non-Executive Directors	$45,000	$50,000

Payment of Non-Executive Director fees were suspended from 1 April 2020 and reinstated on 1 September 2020 as part of the Company's COVID-19 risk and management plan. Board Chair, Paul MacLeman received 50% of his fee as Chair during this period.

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.

Additional disclosures relating to key management personnel

Fully paid ordinary shares of AdAlta Limited

2021	Balance at 1 July Number	Received on exercise of options Number	Net other change Number	Additions Number	Balance at 30 June 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.

2020	Balance at 1 July Number	Received on exercise of options Number	Net other change Number	Additions Number	Balance at 30 June Number
Dr Timothy Oldham	-	-	-	120,000	120,000
Dr Paul MacLeman	439,636	-	-	33,334	472,970
Dr James Williams[3]	100,000	-	-	133,334	233,334
Ms Elizabeth McCall[3]	100,000	-	-	33,334	133,334
Dr Robert Peach	333,333	-	-	962,666	1,295,999
Samantha Cobb[1]	1,443,843	-	(1,443,843)	-	-
John Chiplin[2]	1,000,000	-	(1,000,000)	-	-
Rosalind Wilson	-	-	-	-	-

[1]Samantha Cobb held 1,443,843 shares on resignation as Director on 27 March 2020.

[2]John Chiplin held 1,000,000 shares on resignation as Director on 3 January 2020.

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

Share Options of AdAlta Limited

2021	Balance at 1 July	Granted as compensation	Cancelled	Net other change	Balance at 30 June	Vested and exercisable	Options vested during year
	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	-	-	-	-	-	-	-

2020	Balance at 1 July	Granted as compensation	Cancelled	Net other change	Balance at 30 June	Vested and exercisable	Options vested during year
	Number	Number	Number	Number	Number	Number	Number
Dr Timothy Oldham	-	4,929,060	-	-	4,929,060	492,906	492,906
Dr Paul MacLeman	30,000	-	-	16,667	46,667	46,667	-
Dr James Williams	-	-	-	66,667	66,667	66,667	-
Ms Elizabeth McCall	-	-	-	16,667	16,667	16,667	-
Dr Robert Peach	200,000	-	-	481,333	681,333	481,333	381,333
Samantha Cobb[1]	1,750,000	-	(1,750,000)	-	-	-	-
John Chiplin[1]	20,000	-	(20,000)	-	-	-	-

[1]Balance of options held at date of resignation as a Director.

[2]Listed options issued under the Prospectus dated 23 May 2019.

Voting and comments made at the company's 2020 Annual General Meeting (AGM)

At the Company's 2020 Annual General Meeting (AGM), a resolution to adopt the 2020 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

26 August 2021
Melbourne

BUTLER SETTINERI

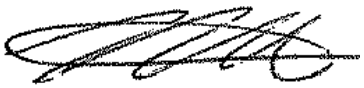
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2021, 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.

BUTLER SETTINERI (AUDIT) PTY LTD



ROBERT HALL
Director

Perth
Date: 26 August 2021

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RCA No. 289109 ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		$	$
Revenue			
License and collaboration Income		848,190	615,819
Interest received		2,942	19,149
Other revenue	3	3,136,183	3,211,912
Total revenue		3,987,315	3,846,880
Expenses			
Research and development expenses (external)		(6,233,515)	(7,012,240)
Corporate administration expenses		(1,333,098)	(1,036,613)
Share based payment expenses	16	(517,065)	(590,458)
Net foreign exchange (loss) / gain		(115,362)	(70,205)
Patent and legal costs		(201,224)	(170,289)
Depreciation and amortisation expense	9	(29,079)	(41,833)
Employee benefit expense		(1,088,689)	(816,152)
Finance costs		(97,638)	(115,546)
Total expenses		(9,615,670)	(9,853,336)
Loss before income tax expense		(5,628,355)	(6,006,456)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of AdAlta Limited		(5,628,355)	(6,006,456)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of AdAlta Limited		(5,628,355)	(6,006,456)
		Cents	Cents
Basic earnings per share	5	(2.40)	(3.66)
Diluted earnings per share	5	(2.40)	(3.66)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021	2020
		$	$
Current assets			
Cash and cash equivalents	6	5,791,389	3,366,503
Trade and other receivables	7	3,108,386	3,364,391
Other current assets	8	77,918	-
Total current assets		8,977,693	6,730,894
Non-current assets			
Property, plant and equipment	9	71,689	98,648
Other non-current assets	10	-	77,918
Total non-current assets		71,689	176,566
Total assets		9,049,382	6,907,460
Liabilities			
Current liabilities			
Trade and other payables	11	865,740	829,858
Borrowings	12	1,687,491	2,191,327
Provisions	13	70,952	30,487
Other current liabilities	14	38,849	153,702
Total current liabilities		2,663,032	3,205,374
Total liabilities		2,663,032	3,205,374
Net assets		6,386,350	3,702,086
Equity			
Issued capital	15	36,232,030	28,436,476
Reserves	16	1,381,087	864,022
Accumulated losses		(31,226,767)	(25,598,412)
Total equity		6,386,350	3,702,086

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 2021

	Issued capital	Reserves	Unissued share reserve	Retained profits	Total equity
	$	$	$	$	$
Balance at 1 July 2019	26,529,233	273,564	280,267	(19,591,956)	7,491,108
Loss after income tax expense for the year	-	-	-	(6,006,456)	(6,006,456)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(6,006,456)	(6,006,456)
Transactions with owners in their capacity as owners:					
Share-based payments	-	590,458	-	-	590,458
Issue of ordinary shares	2,059,887	-	-	-	2,059,887
Share issue costs	(152,644)	-	-	-	(152,644)
Cash received requiring shareholder approval to issue Ordinary shares	-	-	(280,267)	-	(280,267)
Balance at 30 June 2020	28,436,476	864,022	-	(25,598,412)	3,702,086

	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	-	-	-	(5,628,355)	(5,628,355)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,628,355)	(5,628,355)
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	-	(31,226,767)	6,386,350

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 2021

	Note	2021	2020
		$	$
Cash flows from operating activities			
Receipts from customers		1,038,030	615,819
Payments to suppliers and employees		(9,162,138)	(10,091,262)
R & D tax incentive		3,143,923	3,498,774
Cash receipts from other operating activities		195,501	68,000
Interest received		2,942	19,457
Net cash used in operating activities	21	(4,781,742)	(5,889,212)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,121)	(2,376)
Net cash used in investing activities		(2,121)	(2,376)
Cash flows from financing activities			
Proceeds from issue of shares		8,123,024	1,779,620
Payment of share issue costs		(327,471)	(153,185)
Repayment of borrowings		(2,284,363)	-
Proceeds from borrowings		1,682,890	2,075,781
Net cash from financing activities		7,194,080	3,702,216
Net increase/(decrease) in cash and cash equivalents		2,410,217	(2,189,372)
Cash and cash equivalents at the beginning of the financial year		3,366,503	5,555,875
Effects of exchange rate changes on cash and cash equivalents		14,669	-
Cash and cash equivalents at the end of the financial year	6	5,791,389	3,366,503

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 26 August 2021. 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 $5,628,355 (2020: $6,006,456) and the Company had net cash outflows from operating activities of $4,781,742 (2020: $5,889,212). As at balance date, the Company had net current assets of $6,386,350 (2020: $3,702,086).

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.

***Significant accounting policies** (continued)*

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.

Significant accounting policies *(continued)*

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.

Significant accounting policies *(continued)*

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

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.

***Significant accounting policies** (continued)*

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 2021. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

3. Other revenue

	2021	2020
	$	$
R&D tax incentive	2,854,818	3,143,912
Other revenue	281,365	68,000
	3,136,183	3,211,912

4. Income tax expense

	2021	2020
	$	$
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	(5,628,355)	(6,006,456)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(1,463,372)	(1,651,775)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	1,750,018	2,193,451
Non assessable income	(759,150)	(878,326)
Temporary differences	(158,533)	(79,222)
Benefits of tax losses not brought into account	631,037	415,872
Income tax expense	-	-

The Company has revenue losses of approximately $7,712,314 for which no deferred tax asset has been recognised.

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

5. Loss per share

	2021	2020
	$	$
Loss after income tax attributable to the owners of Adalta Limited	(5,628,355)	(6,006,456)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	234,255,299	164,030,499
Weighted average number of ordinary shares used in calculating diluted earnings per share[1]	234,255,299	164,030,499
	Cents	Cents
Basic earnings per share	(2.40)	(3.66)
Diluted earnings per share	(2.40)	(3.66)

[1]The 7,879,595 options (2020: 31,062,870) are not considered to be dilutive.

6. Cash and cash equivalents

	2021	2020
	$	$
Cheque accounts	876,521	25,240
Cash reserve accounts	4,914,868	3,341,263
	5,791,389	3,366,503

7. Trade and other receivables

	2021	2020
	$	$
Other receivables	-	90,000
Goods and services tax	122,401	76,981
Prepaid expenses	131,178	53,498
Sundry receivable - R&D tax incentive	2,854,807	3,143,912
	3,108,386	3,364,391

8. Other current assets

	2021	2020
	$	$
Security Deposits	77,918	-

9. Property, plant and equipment

	2021	2020
	$	$
Plant and equipment - at cost	167,233	167,234
Less: Accumulated depreciation	(96,770)	(68,586)
	70,463	98,648
Office equipment - at cost	17,915	15,794
Less: Accumulated depreciation	(16,689)	(15,794)
	1,226	-
	71,689	98,648
Movements in the carrying amounts for each class of		
Plant and equipment		
Balance at beginning of year	98,648	138,105
Additions	-	-
Disposals	-	-
Loss on sale	-	-
Depreciation expense	(28,185)	(39,457)
Balance at end of year	70,463	98,648
Office equipment		
Balance at beginning of year	-	-
Additions	2,121	13,418
Depreciation	(895)	(13,418)
Balance at end of year	1,226	-

10. Other non-current assets

	2021	2020
	$	$
Security deposits	-	77,918

11. Trade and other payables

	2021	2020
	$	$
Trade payables	215,722	540,832
Accrued expenses	612,865	268,005
PAYG payable	31,519	21,021
Superannuation payable	5,634	-
	865,740	829,858

12. Borrowings

	2021[1]	2020[2]
	$	$
Loan – R&D Advance	1,687,491	2,191,327

[1]The loan facility entered into on 15 June 2021 was with Innovation Structured Finance Co., LLC serviced via Radium Capital and was an advance on 80% of the Company's estimated R&D tax Incentive (RDTI) for the financial year ending 30 June 2021. The interest rate for the loan facility is 14% per annum.

[2]The loan facility entered into on 20 December 2019 was with Innovation Structured Finance Co., LLC serviced via Radium Capital and was an advance on 80% of the Company's estimated R&D tax Incentive (RDTI) for the financial year ending 30 June 2020. The interest rate for the loan facility was 15% per annum. Full settlement of the loan facility was made on 13 October 2020, upon receipt of the 2020FY RDTI refund.

13. Provisions

	2021	2020
	$	$
Annual leave	70,952	30,487

14. Other current liabilities

	2021[1]	2020[2]
	$	$
Forward exchange contract	38,849	153,702

[1]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 is the unrealised loss on the forward exchange contract.

[2]On 23 March 2020 the Company entered into a Forward Exchange contract to buy $520,000 USD at a rate of 1AUD = 0.5702USD, maturing on 31 December 2020. The amount disclosed at 30 June 2020 was the unrealised loss on the forward exchange contract.

15. Issued capital

	2021	2020	2021	2020
	Shares	Shares	$	$
Ordinary shares - fully paid	245,175,853	163,945,613	36,232,030	28,436,476

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.

	2021	2020	2021	2020
	Shares	Shares	$	$
Balance at beginning of the reporting period	163,945,613	150,569,426	28,436,476	26,529,233
Issue of ordinary shares	81,230,240	13,732,581	8,123,024	2,059,887
Cancellation of ordinary shares	-	(356,394)	-	-
Capital raising costs	-	-	(327,470)	(152,644)
	245,175,853	163,945,613	36,232,030	28,436,476

Options on issue

Expiry date	Number of options	Exercise price
14 November 2021	400,000	$0.2485
14 November 2021	130,000	$0.4985
14 November 2021	100,000	$0.7485
14 November 2021	100,000	$0.9985
27 February 2022	620,535	$0.2385
20 March 2023	600,000	$0.085
15 March 2025	1,000,000	$0.175
26 November 2025	4,929,060	$0.2485

16. Reserves

	2021	2020
	$	$
Share-based payments reserve	1,381,087	864,022

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. In the period under review there were no change to inputs on option valuation.

	2021	2020
	$	$
At beginning of reporting period	864,022	273,564
Recognised during the period	517,065	590,458
At end of reporting period	1,381,087	864,022

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
01/11/2020	$0.1685	234,472	-	-	(234,472)	-
16/10/2020	$0.1685	600,000	-	-	(600,000)	-
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	$0.2385	620,535	-	-	-	620,535
30/06/2021	$0.2485	16,482,513	-	(3,725)	(16,478,788)	-
30/06/2021	$0.2485	6,866,290	-	-	(6,866,290)	-
26/11/2025	$0.2485	492,906	-	-	-	492,906
26/11/2025	$0.2485	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2485	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2485	1,478,718	-	-	-	1,478,718
20/03/2023	$0.0850	100,000	-	-	-	100,000
20/03/2023	$0.0850	100,000	-	-	-	100,000
20/03/2023	$0.0850	200,000	-	-	-	200,000
20/03/2023	$0.0850	200,000	-	-	-	200,000
15/03/2025	$0.1750	-	500,000	-	-	500,000
15/03/2025	$0.1750	-	500,000	-	-	500,000
		31,062,870	1,000,000	(3,725)	(24,179,550)	7,879,595

Weighted average exercise price at 30 June 2021 $0.2453(30 June 2020: $0.25)

***Note 16. Reserves** (continued)*

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
15/3/2021	15/03/2025	$0.175	$0.175	112.66%	0%	0.10%

17. 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	Position
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.

18. Contingent liabilities and contingent assets

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

19. 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.

20. 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% (2020: 0.00%).
Cash reserve	6	Carried at face value.	The cash reserve account is at call with an interest rate of 0.01% (2020: 0.05%).
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	11	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	14	Carried at face value.	Forward exchange contract is entered into on specific terms as agreed by the Foreign Exchange intermediary and the Company.
Borrowings	12	Carried at face value.	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	15	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 15.

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.

***Note 20. Financial risk management** (continued)*

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 - 2021	1,687,491	-	-	1,687,491	1,687,491
Loan - R&D advance - 2020	2,191,327	-	-	2,191,327	2,191,327

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 - 2021	0.01%	5,791,389	4,914,843	876,546
Cash and cash Equivalents - 2020	0.05%	3,366,503	3,341,263	25,240

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.

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

Reconciliation of cash flow from operations with profit after income tax

	2021	2020
	$	$
Loss after income tax expense for the year	(5,628,355)	(6,006,456)
Adjustments for:		
Depreciation and amortisation	29,079	41,833
Share-based payments	517,065	590,457
Adjustments for:		
Cost of issuing shares	-	542
Interest expense and borrowing costs	97,636	115,546
Change in operating assets and liabilities:		
(Increase) / decrease in receivables	256,006	249,050
(Increase) / decrease in non-current assets	77,918	-
(Increase) / decrease in current assets	(77,918)	(75,319)
Increase / (decrease) in payables	21,215	(910,253)
Increase / (decrease) in provisions	40,465	(48,314)
Increase / (decrease) in other current liabilities	(114,853)	153,702
Net cash used in operating activities	(4,781,742)	(5,889,212)

22. Dividends

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

23. Remuneration of auditors

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

	2021	2020
	$	$
Audit services - Butler Settineri (Audit) Pty Ltd		
Audit and review of the financial statements	24,238	14,148

24. 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.

AdAlta's laboratories at La Trobe University have remained continuously open though out 2020 and 2021, with remote working where possible and modified work practices implemented. The Phase I trial was conducted at CMAX Clinical Research in Adelaide and Scientia Clinical Research in Sydney to mitigate risks to healthy volunteer recruitment.

AdAlta is observing increases in lead times and supply shortages for some laboratory consumables, manufacturing raw materials, and contract manufacturing capacity. In particular, lead times for contract manufacturing of biologics are extending significantly. To mitigate this impact, AdAlta has now secured a manufacturing slot for the next batch of clinical grade AD-214 to support future clinical trials. Drug product is now anticipated to be available for these trials in mid-2023. There may be longer term impacts on the state of affairs of the Company or the environment within which it operates, the extent of which the Company cannot currently estimate.

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.

25. Events after the reporting period

On 1 July 2021, AdAlta announced that it had accepted an AD-214 clinical material resupply proposal under a master services agreement with its contract manufacturing partner, KBI Biopharmaceuticals Inc. The scheduled production of bulk AD-214 will mean clinical drug product is available for the commencement of clinical trials in patients in the first half of 2023.

On 2 July 2021 a total of 3,725 ordinary shares were issued on exercise of listed options for gross proceeds to the Company of $925.

On 19 July 2021, the Company announced the preliminary results of multi-dose intravenous studies of AD-214 in healthy volunteers and the results of pre-clinical development of RL-AD-214 for PET imaging. Taking the totality of these results and the next available clinical supplies of AD-214, AdAlta has elected to advance the development of an inhaled formulation of AD-214. An inhaled formulation will offer greater patient convenience, more flexible dose scheduling and lower cost of goods. Importantly, AdAlta anticipates that the development of an inhaled formulation can occur within the time available prior to the commencement of the next clinical studies of AD-214 in patients, resulting in no delay in the timelines to efficacy data. PET imaging using RL-AD-214 will continue to inform pre-clinical development of the inhaled formulation. The Phase I program in healthy volunteers has been concluded and a planned Phase Ib protocol using RL-AD-214 in patients to assess distribution and lung tissue receptor occupancy will not proceed. AdAlta will continue to explore improvements to the AD-214 intravenous formulation for potential use in other fibrotic indications.

On 24 August 2021, AdAlta and Carina Biotech Pty Ltd announced a collaboration to develop unique, precision engineered, i-body enabled CAR-T cell therapeutics to provide new hope for patients with cancer.

Under the collaboration the parties will work together on up to 5 tumour antigen targets, commencing in a staged fashion over the next two years. The first two targets have been selected but not disclosed. AdAlta's role is to discover i-bodies against these targets. Carina's roll is to then engineer them into CAR-T cells and test them *in vitro* and then *in vivo* to demonstrate proof of concept and select optimal CAR constructs to progress as CAR-T cell therapeutics. Targets may be combined to create bi-specific CAR-Ts. AdAlta and Carina will jointly own the collaboration intellectual property and products to proof-of-concept stage. Following proof of concept, the parties may elect to continue to co-develop the products together, choose one party to continue development independently, or out-license immediately to third parties to continue development.

Other than outlined above or elsewhere in this report, there has not been any matter or circumstance that has arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

30 JUNE 2021

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 2021 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

26 August 2021
Melbourne

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 2021, 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 2021 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
Intellectual Property Rights and Obligations arising from Research and Development Agreements The Company has in place multiple agreements with research and development providers whereby certain services and facilities are supplied in exchange for payment. To enable the delivery of these services and facilities, the Company's intellectual property is made available to the research and development providers. Management have written specific clauses into the Research and Development Agreements to protect the Company's intellectual property rights and also exercise their judgment in interpreting the agreements and the recognition of any potential liabilities and/or commitments arising therefrom.	Our audit procedures included obtaining copies of major agreements and reviewing them to determine if any commitments, provisions or payables needed to be accounted for and disclosed in line with the applicable Australian Accounting Standards. Furthermore, we reviewed the agreements to ensure clauses were present to protect the intellectual property rights of AdAlta Limited.
Equity and Capital Structure *Refer note 15* 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 shown in note 15. 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.

Key Audit Matter	How our audit addressed the key audit matter
Deferred Taxation *Refer note 3* Management utilise key assumptions, judgements and estimates in calculating the deferred tax disclosed in note 1 which are material to the financial statements.	Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by the company in preparing their estimate of deferred taxes. 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 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 22 to 26 of the directors' report for the year ended 30 June 2021.

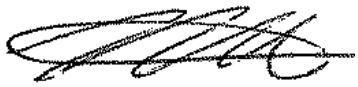
In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

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.

BUTLER SETTINERI (AUDIT) PTY LTD



ROBERT HALL
Director

Perth
Date: 26 August 2021

SHAREHOLDER INFORMATION

30 JUNE 2021

The shareholder information set out below was applicable as at 16 August 2021.

(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	38	4,312	-
1,001 to 5,000	193	700,607	-
5,001 to 10,000	280	2,246,951	0.3%
10,001 to 100,000	768	30,367,710	12.4%
100,001 and over	262	211,859,998	84.6%
	1,541	245,179,578	

The number of shareholders holding less than a marketable parcel of shares are 238.

(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	22.05%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,993,114	11.83%
3	MEURS HOLDINGS PTY LTD - P&M MEURS SUPERANNUATION A/C	17,887,693	7.30%
4	RADIATA SUPER PTY LTD - R & E SYPKES FAMILY SF A/C	7,689,999	3.14%
5	SACAVIC PTY LTD - MORRIS SUPER FUND A/C	4,444,407	1.81%
6	CITYCASTLE PTY LTD	4,302,320	1.75%
7	LA TROBE UNIVERSITY	3,041,330	1.24%
8	JAGEN PTY LTD	2,500,000	1.02%
9	NATIONAL NOMINEES LIMITED	2,101,000	0.86%
10	MR ROBIN BEAUMONT & MS HELEN SHINGLER	2,075,000	0.85%
11	SKIPTAN PTY LTD - P&M MEURS FAMILY A/C	2,072,000	0.85%
12	CITICORP NOMINEES PTY LIMITED	2,001,388	0.82%
13	BAULDIA PTY LTD - BONAVENTURE SUPER FUND A/C	1,825,409	0.74%
14	SCINTILLA STRATEGIC INVESTMENTS LIMITED	1,424,972	0.58%
15	MRS GWEN MURRAY PFLEGER - PFLEGER FAMILY A/C	1,395,000	0.57%
16	MR ALISTAIR DAVID STRONG	1,300,000	0.53%
17	ROBERT PEACH	1,295,999	0.53%
18	BARE SUPER PTY LTD - BALLARD READ SF A/C	1,277,358	0.52%
19	RUI LONG INTERNATIONAL PTY LTD - RUI LONG FAMILY A/C	1,200,000	0.49%
20	MR IAIN ROSS	1,150,000	0.47%
	Total	142,036,837	57.93%
	Total issued capital	245,179,578	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	22.05%
2	PLATINUM INVESTMENT MANAGEMENT LTD	28,993,114	11.83%
3	MEURS HOLDINGS PTY LTD - P&M MEURS	17,887,693	7.30%

(d) Unquoted securities

Details of substantial holders:

Number	Number of holders	Class	Holders of more than 20%
7,879,595	11	Options expiring various dates and various prices	Timothy Oldham 62.55% (4,929,060)

(e) Use of funds

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