Adalta Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Adalta Limited
ABN:	92 120 332 925
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	9.8%	to	727,268
Loss from ordinary activities after tax attributable to the owners of Adalta Limited	down	18.9%	to	(3,659,501)
Loss for the half-year attributable to the owners of Adalta Limited	down	18.9%	to	(3,659,501)

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

Comments
The loss for the company after providing for income tax amounted to $3,659,501 (31 December 2020: $4,510,576).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.1	2.6

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half year financial report.

10. Attachments

Details of attachments (if any):

The Half year financial report of Adalta Limited for the half-year ended 31 December 2021 is attached.

11. Signed

Signed _____ Date: 22 February 2022

Paul MacLeman
Chairman
Melbourne

Adalta Limited

ABN 92 120 332 925

Half year financial report - 31 December 2021

Adalta Limited
Corporate directory
31 December 2021

Directors	Dr Paul MacLeman Dr Timothy Oldham Ms Elizabeth McCall Dr Robert Peach Dr David Fuller Dr James Williams (alternate to Elizabeth McCall)
Company secretary	Mr Cameron Jones
Registered office	Unit 15 / 2 Park Drive Bundoora Vic 3083
Auditor	Butler Settineri (Audit) Pty Ltd Unit 16, First Floor, 100 Railway Road Subiaco, Western Australia 6008
Share Registry	Automic Registry Services Level 5 126 Phillip Street Sydney, NSW 2000 Tel: 1300 288 664
Stock exchange listing	Adalta Limited shares are listed on the Australian Securities Exchange Ltd.
ASX Code	1AD
Website	www.adalta.com.au

Adalta Limited
Contents
31 December 2021

The Directors of AdAlta Limited ("AdAlta" or "the Company") present their report, together with the financial statements, of the Company for the half-year ended 31 December 2021.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dr Paul MacLeman	Non-Executive Chairman
Dr Timothy Oldham	Chief Executive Officer and Managing Director
Ms Elizabeth McCall	Non-Executive Director
Dr Robert Peach	Non-Executive Director
Dr David Fuller	Non-Executive Director
Dr James Williams	Non-Executive Director

Review of operations

The principal business of the Company is the discovery and development of protein based therapeutic and diagnostic products using its proprietary i-body platform. i-bodies mimics the shape and stability of a unique and versatile antigen binding domain that was discovered initially in sharks and then developed as a human protein, enabling them to access drug targets that are difficult to drug, or sub-optimally drugged, using traditional antibody therapeutics. The Company creates value by:

1. Using the i-body platform to discover and develop, typically after early stage clinical trials, wholly owned products that are intended to be licensed to large biopharmaceutical companies (internal pipeline); and
2. Partnering with biotechnology and biopharmaceutical companies to co-develop i-body enabled products against targets identified by these partners (external pipeline).

The Company currently has four active development programs ranging from discovery to Phase I clinical trials with applications in the fields of inflammation/fibrosis and immuno-oncology.

Internal (wholly owned) pipeline: Phase I clinical trials of AD-214 successfully completed, developing more convenient, lower cost inhaled formulation for Phase II; new discovery program against a second GPCR target commenced.

AD-214: AdAlta's lead product candidate, AD-214, is being developed as a 'first in class' anti-fibrotic therapeutic focussing initially on the degenerative and fatal orphan disease, Idiopathic Pulmonary Fibrosis (IPF) and related Interstitial Lung Diseases (ILDs), and with potential in other fibrotic diseases, particularly of the eye and kidney, and certain cancers. There are some indications that survivors of severe COVID-19 infection may also suffer pulmonary fibrosis, potentially further expanding the market for AD-214.

AdAlta has now completed a Phase I clinical study of intravenously administered AD-214 in healthy volunteers. The study commenced in July 2020 and results were reported in July 2021. Intravenous AD-214 was well tolerated by healthy volunteers receiving single doses from 0.01 mg/kg to 20 mg/kg and three doses of 5 mg/kg at two week intervals. There were no dose limiting toxicities reported, no adverse events greater than grade 2 (moderate) and mild infusion reactions reported in some participants receiving AD-214 and placebo which were attributed to the formulation. Human Research Ethics Approval was obtained to proceed to higher doses, prior to the Company electing to end the study early.

A key secondary endpoint of the Phase I study was the extent and duration of receptor occupancy (the percentage of target receptors that are occupied by AD-214). High levels of receptor occupancy are generally required for therapeutic effect of drugs such as AD-214 that are designed to inhibit target receptor activity. The time over which receptor occupancy remains high is a key indicator of likely therapeutic dosing intervals (with longer intervals generally more convenient and lower cost). AD-214 maintained greater than 80% receptor occupancy on certain circulating white blood cells for seven days after a single 10 mg/kg infusion and greater than 60% for 21 days after a 20 mg/kg infusion, substantially longer than predicted from results of pre-clinical studies in non-human primates and substantially longer than the time taken for AD-214 to be eliminated from free circulation in the blood. Other evidence of target receptor engagement included low, transient increases in white cell and blood stem cell counts that increased with dose. Both receptor occupancy and white cell and stem cell count increases were consistent across multiple doses.

These results support progressing AD-214 into clinical studies in patients.

Manufacture of cGMP (clinical grade) AD-214 drug substance for these future studies was booked prior to the completion of the Phase I study to mitigate extended contract manufacturing lead times for all biologics because of COVID-19. Delivery of formulated product is scheduled for mid-2023.

In separate studies, the distribution of a radiolabelled version of AD-214, RL-AD-214, was studied in mice and non-human primates in preparation for studies in IPF and ILD patients. These studies successfully demonstrated the ability of RL-AD-214 to bind to its target, but also showed a significant distribution of AD-214 to liver tissue, reducing the bioavailability of AD-214 to lungs and other organs. Based on these results, the Company determined that proceeding with planned IPF patient imaging studies during Phase I could not provide the desired information about the distribution of AD-214 to fibrotic lesions and elected not to progress the Phase I intravenous studies to higher doses, releasing funds and AD-214 drug substance to improve the bioavailability of AD-214.

The Company is using the time prior to the availability of new clinical AD-214 to develop an inhaled formulation of AD-214 this would mean patient studies could recommence with a more convenient formulation offering greater patient convenience, lower cost of goods and greater dosing flexibility. Feasibility studies completed in December 2022 showed that liquid formulations of AD-214 could be successfully nebulised (turned into aerosols) using commercial nebuliser devices without losing ability to bind to its target or degrading. Simulations predicted that 17-46% of the delivered dose would be deposited in the smallest airways of the lungs critical for IPF therapy, exceeding the Company's estimates of 10%. The efficacy of inhaled AD-214 is now being tested in animal models of fibrosis. Further distribution studies and formulation development activities are on track to be completed so that inhaled toxicology studies can be completed to coincide with the availability of the next cGMP AD-214. The Company is also investigated improved intravenous formulations and other routes of administration for other indications.

To add further value to AD-214, AdAlta is demonstrating the broad applicability of this product in indications beyond IPF/ILD. During September, results of research conducted in collaboration with Professor Carol Pollock at The University of Sydney showed that AD-214 reduced progression of fibrosis in a mouse model of kidney fibrosis. This is the second mouse model to show that blocking AD-214's target, the receptor known as CXCR4, with an i-body can reduce fibrosis. Additional preclinical studies using AD-214 in mouse models of eye fibrosis are under way.

AdAlta is actively engaging pharmaceutical and biopharmaceutical companies that may be interested in partnering or co-developing AD-214 in one or more of IPF/ILD, eye fibrosis or kidney fibrosis and on a global or Asian regional basis. The Company anticipates that these discussions will accelerate as the results of development of the inhaled version of AD-214 become available during the first half of 2022.

Undisclosed GPCR program: AdAlta commenced a discovery research program against a new target implicated in fibrosis and inflammation during the second half of 2021. The target has not been disclosed but is a member of the G-Protein Coupled Receptor (GPCR) family (as is CXCR4). GPCRs are a very important drug target class, with approximately 33% of all approved drugs targeting a GPCR.[1] There are more than 400 GPCR receptors known, only one third of which have drugs approved that act on them. Very few monoclonal antibodies have successfully targeted this class and AdAlta believes its i-body platform is ideally suited to bringing antibody-like selectivity and specificity to this target class.

External (co-developed) pipeline: GE Healthcare imaging program for immuno-oncology progressing through pre-clinical development; new collaboration with Carina Biotech to develop i-body enabled CAR-T cell therapies

GE Healthcare: AdAlta's collaboration with GE Healthcare to discover i-body candidates as diagnostic PET imaging agents for immuno-oncology progressed into pre-clinical and manufacturing development during the first half of 2021. AdAlta's role in the collaboration has expanded, generating additional research fees during the second half of 2021 and additional future milestones. Pre-clinical proof of concept results are expected in mid-2022, potentially earning an additional milestone payment for AdAlta. Clinical proof of concept studies would then follow and, if successful, royalty revenue could commence soon afterwards. Since announcing the GE Healthcare collaboration in September 2019, AdAlta has earned A$2.27 million in milestones, research fees and contributions to third party costs.

Carina Biotech: In August 2021, AdAlta entered a collaboration agreement with Carina Biotech Pty Ltd, an Australian biotechnology company, to develop i-body enabled CAR-T (iCAR-T) cell therapies. Chimeric Antigen Receptor (CAR)-T cell therapies involve collection of a patients T cells (a type of immune cell), genetically modifying them so they produce a CAR on the cell surface and returning them to the patient. The CAR binds to an antigen on the surface of cancer cells, enabling the CAR-T cell to now find and target the cancer. Once engaged through the CAR the T cell is activated and kills the cancer. CAR-T cell therapies are living drugs, capable of persisting long after infusion to continue to fight cancer. There are now five CAR-T therapies approved against several blood cancers where they have been successfully used to treat patients who have failed multiple rounds of chemotherapy. The market for CAR-T cell therapies is projected to exceed US$20 billion by 2028.[2]

[1] R Santos, et al, "A comprehensive map of molecular drug targets", Nature Reviews Drug Discovery, 2017 (16) 19
[2] Grandview Research, "T-cell Therapy Market Size, Share & Trends Analysis" Feb 2021

By combining Carina's advanced CAR-T cell therapy technology platform (that is capable of efficiently producing vigorous CAR-T cells primed to penetrate and overcome the immune defences of cancer) with AdAlta's i-body platform (that is ideally suited to targeting novel tumour antigens and efficiently creating bi-specific and dual CAR-T cells capable of targeting multiple tumour antigens), the AdAlta and Carina believe they can bring the same hope CAR-T cell therapy has offered to blood cancer patients to the many more patients with solid tumours.

Under the collaboration, AdAlta and Carina plan to develop CAR-T and dual or bi-specific CAR-T products against up to 5 different targets. The companies will share development costs to pre-clinical proof of concept, at which point they will jointly own the products created and have the option to continue to co-develop the products, to license them to one of the parties on pre-agreed terms or to license to third parties for further development in the active CAR-T therapy licensing market. The companies have already demonstrated that they can incorporate i-bodies into CAR-T cells with the same efficiency as conventional CAR constructs and that these CAR-T cells are effective killers of cancer cell lines expressing antigens that the i-body targets. The companies have now commenced discovery research on the first target which is yet to be disclosed and expect to finalise a research program for a second target during the first half of 2022.

Financial results

The loss for the company after providing for income tax amounted to $3,659,501 (31 December 2020: $4,510,576).

The half-year ended 31 December 2021 operating results included the following:

- Revenues from i-body platform partnerships of $721,491 (31 December 2020: $623,834);
- Research and Development Tax Incentive (RDTI) refund of $2,663,660 for the 2020/21 financial year (31 December 2020: $3,143,913)
- Research and development expenditure of $2,535,724 (31 December 2020: $3,728,302);
- Corporate and administration expenses of $638,009 (31 December 2020: $506,184);
- Share based payment expense of $99,190 (31 December 2020: $278,175); and
- Net foreign exchange (loss)/gain of $10,401 (31 December 2020: ($164,611))

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

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

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

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

The cash position as at 31 December 2021 was $9,078,347 (31 December 2020: $8,064,423 and 30 June 2021: $5,791,389).

Corporate developments

The Company's 2021 Annual General Meeting was held on 29 November 2021. All resolutions, including approval of the remuneration report, re-election of directors, issuance of Director options, approval of ASX listing rule 7.1A 10% placement capacity and adoption of new Constitution were passed with greater than 99% approval.

Matters subsequent to the end of the financial half-year

On 7 February 2022 the Company raised a total of $1.25million from a 1 for 8 Entitlement Offer issuing 17,169,940 ordinary shares at $0.073 per share.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Paul MacLeman
Chairman

22 February 2022

BUTLER SETTINERI
Real People. Better Business

AUDITOR'S INDEPENDENCE DECLARATION

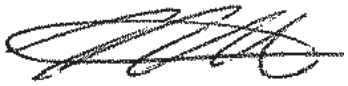
As lead auditor for the review of AdAlta Limited for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of AdAlta Limited during the half year ended 31 December 2021.

BUTLER SETTINERI (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 22 February 2022

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ADALTA LIMITED

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of AdAlta Limited ("the Company") which comprises the condensed statement of profit and loss and other comprehensive income, condensed statement of financial position as at 31 December 2021, the condensed statement of changes in equity and the condensed statement of cash flows for the half year ended on that date, notes comprising a statement of significant accounting policies and other selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of AdAlta Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations* 2001.

Directors' responsibility for the half year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half year ended on that date; and

Unit 16, First Floor
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(Cnr Hay Street)
Subiaco WA 6008

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

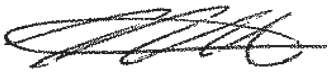
As the auditor of AdAlta Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain the assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

BUTLER SETTINERI (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 22 February 2022

Adalta Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Paul MacLeman
Chairman

22 February 2022

Adalta Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	31 Dec 2021 $	31 Dec 2020 $
Revenue	4	727,268	806,501
Expenses			
Research and development expenses		(2,535,724)	(3,728,302)
Corporate administration expenses		(638,009)	(506,184)
Share based payment expenses		(99,190)	(278,175)
Net foreign exchange (loss) / gain		10,401	(164,611)
Patent and legal costs		(93,774)	(45,301)
Employee benefit expense		(934,098)	(487,259)
Depreciation and amortisation expense		(12,863)	(14,208)
Finance costs		(83,512)	(93,037)
Total expenses		(4,386,769)	(5,317,077)
Loss before income tax expense		(3,659,501)	(4,510,576)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Adalta Limited		(3,659,501)	(4,510,576)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Adalta Limited		(3,659,501)	(4,510,576)
		Cents	**Cents**
Basic earnings per share	5	(1.48)	(2.06)
Diluted earnings per share	5	(1.48)	(2.06)

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

Adalta Limited
Statement of financial position
As at 31 December 2021

	Note	31 Dec 2021 $	30 Jun 2021 $
Assets			
Current assets			
Cash and cash equivalents		9,078,347	5,791,389
Trade and other receivables		866,275	3,108,386
Other current assets		77,918	77,918
Total current assets		10,022,540	8,977,693
Non-current assets			
Property, plant and equipment		70,278	71,689
Total non-current assets		70,278	71,689
Total assets		10,092,818	9,049,382
Liabilities			
Current liabilities			
Trade and other payables		1,217,124	865,740
Borrowings	6	2,400,540	1,687,491
Provisions		111,868	70,952
Other current liabilities		3,890	38,849
Total current liabilities		3,733,422	2,663,032
Total liabilities		3,733,422	2,663,032
Net assets		6,359,396	6,386,350
Equity			
Issued capital	7	39,765,387	36,232,030
Reserves	8	1,480,277	1,381,087
Accumulated losses		(34,886,268)	(31,226,767)
Total equity		6,359,396	6,386,350

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

Adalta Limited
Statement of changes in equity
For the half-year ended 31 December 2021

	Issued capital $	Reserves $	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 half-year	-	-	(4,510,576)	(4,510,576)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,510,576)	(4,510,576)
Transactions with owners in their capacity as owners:				
Share-based payments	-	278,175	-	278,175
Issue of ordinary shares	8,123,024	-	-	8,123,024
Share issue costs	(327,471)	-	-	(327,471)
Balance at 31 December 2020	36,232,029	1,142,197	(30,108,988)	7,265,238

	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2021	36,232,030	1,381,087	(31,226,767)	6,386,350
Loss after income tax expense for the half-year	-	-	(3,659,501)	(3,659,501)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,659,501)	(3,659,501)
Transactions with owners in their capacity as owners:				
Share-based payments	-	99,190	-	99,190
Issue of ordinary shares	3,791,412	-	-	3,791,412
Share issue costs	(258,055)	-	-	(258,055)
Balance at 31 December 2021	39,765,387	1,480,277	(34,886,268)	6,359,396

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

Adalta Limited
Statement of cash flows
For the half-year ended 31 December 2021

	Note	31 Dec 2021 $	31 Dec 2020 $
Cash flows from operating activities			
Receipts from customers		244,803	623,834
Payments to suppliers and employees		(3,862,028)	(4,748,076)
R & D tax incentive		2,663,660	3,143,913
Grant income		117,363	180,414
Interest received		242	2,253
Net cash used in operating activities		(835,960)	(797,662)
Cash flows from investing activities			
Payments for property, plant and equipment		(11,451)	-
Net cash used in investing activities		(11,451)	-
Cash flows from financing activities			
Proceeds from issue of shares	7	3,750,926	8,123,024
Payment of share issue costs	7	(252,320)	(327,471)
Repayment of borrowings		(1,769,331)	(2,284,363)
Proceeds from borrowings		2,400,000	-
Net cash from financing activities		4,129,275	5,511,190
Net increase in cash and cash equivalents		3,281,864	4,713,528
Cash and cash equivalents at the beginning of the financial half-year		5,791,389	3,366,503
Effects of exchange rate changes on cash and cash equivalents		5,094	(15,608)
Cash and cash equivalents at the end of the financial half-year		9,078,347	8,064,423

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 22 February 2022.

2. Significant accounting policies

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of preparation

These general purpose financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

3. Operating segments

Identification of reportable operating segments

The company has one operating segment. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Company is domiciled and conducts its operations in Australia.

4. Revenue

	31 Dec 2021 $	31 Dec 2020 $
Research project costs	721,491	623,834
Interest revenue	242	2,253
Grant income	196,693	180,414
R&D tax rebate	(191,158)	-
Revenue	727,268	806,501

As at 30 June 2021 the Company accrued for $2,854,818 as its estimated R&D refund for the period ending 30 June 2021. During the period ending 31 December 2021 the Company received its 2021FY R&D refund of $2,663,660 resulting in an over accrual of $191,158.

5. Loss per share

	31 Dec 2021 $	31 Dec 2020 $
Loss after income tax attributable to the owners of Adalta Limited	(3,659,501)	(4,510,576)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	248,093,459	219,083,030
Weighted average number of ordinary shares used in calculating diluted earnings per share	248,093,459	219,083,030
	Cents	**Cents**
Basic earnings per share	(1.48)	(2.06)
Diluted earnings per share	(1.48)	(2.06)

6. Borrowings

	31 Dec 2021[1] $	30 Jun 2021[2] $
Loan – R&D Advance	2,400,540	1,687,491

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

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

Interest on Facility advances is variable at the "TCV 11am" loan interest rate (currently 0.265%). Repayment of the Facility is timed to coincide with receipt of AdAlta's FY2023 RDTI refund, expected by 31 October 2023, but may be repaid earlier. The Facility is secured by the FY2022 and FY2023 RDTI refunds.

The final amount of the second tranche will be capped so as not to exceed a total Facility draw down of 80% of AdAlta's forecast R&D Tax Incentive (RDTI) rebate for FY2022.

[2]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. Full settlement of the loan facility was made on the 5 November 2021, upon receipt of the 2021FY RDTI refund.

7. Issued capital

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 $	30 Jun 2021 $
Ordinary shares - fully paid	297,014,806	245,175,853	39,765,387	36,232,030

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

	31 Dec 2021 Number	30 Jun 2021 Number	31 Dec 2021 $	30 Jun 2020 $
Balance at beginning of the reporting period	245,175,853	163,945,613	36,232,030	28,436,476
Issue of ordinary shares	51,373,588	81,230,240	3,750,924	8,123,024
Share based payment - Issue of ordinary shares	465,365	-	40,488	-
Capital raising costs	-	-	(258,055)	(327,470)
	297,014,806	245,175,853	39,765,387	36,232,030

7. Issued capital (continued)

Expiry date	Number of options	Exercise price
27 February 2022	620,535	$0.2385
20 March 2023	600,000	$0.0850
15 March 2025	1,050,000	$0.1750
26 November 2025	4,929,060	$0.2485
29 November 2025	6,655,000	$0.0850

Options issued during the period

The following share-based payment arrangements were issued during the current reporting period:

No. of Options	Grant date	Expiry date	Grant date fair value	Vesting date	Exercise price
3,327,500	29/11/2021	29/11/2025	$0.0450	29/11/2022	$0.0850
3,327,500	29/11/2021	29/11/2025	$0.0450	29/11/2023	$0.0850

For the options, 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 interest rate %
29/11/2021	29/11/2025	$0.0820	$0.0850	77.39%	-	0.10%

8. Reserves

	31 Dec 2021 $	30 Jun 2021 $
Share-based payments reserve	1,480,277	1,381,087

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services. No options were issued in the period under review and no change to inputs on option valuation.

As announced on 16 February 2022, as a result of the recent Entitlement Offer, applying the formula in Listing Rule 6.22.2 requires a reduction in the exercise price of issued options of $0.0003 per option.

	31 Dec 2021 $	30 Jun 2021 $
At beginning of reporting period	1,381,087	864,022
Recognised during the period	99,190	517,065
At end of reporting period	1,480,277	1,381,087

9. Dividends

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

10. Key management personnel disclosures

Remuneration arrangements of key management personnel are disclosed in the annual financial report for the period ending 30 June 2021.

During the period 6,655,000 Director options were approved at the Annual General Meeting.

Key management personnel continue to receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

11. Commitments and contingencies

There has been no change to the commitments and contingencies disclosed in the most recent annual financial report. As at 31 December 2021, the Company has no significant commitments.

12. Significant changes in the state of affairs

There has not been any other matter or circumstance that has arisen since the end of the half-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 and that has not been disclosed above.

13. Events after the reporting period

On 7 February 2022 the Company raised a total of $1.25million from a 1 for 8 Entitlement Offer issuing 17,169,940 ordinary shares at $0.073 per share.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.