arovella
THERAPEUTICS

Appendix 4D
Half Year Report Ended
31 December 2022

Arovella Therapeutics Limited
ABN 35 090 987 250

Arovella Therapeutics Limited
Appendix 4D
Half-year Ended 31 December 2022

Name of entity:	Arovella Therapeutics Limited
ABN:	35 090 987 250
Half-year ended:	31 December 2022
Previous period:	31 December 2021

Results for announcement to the market

				$
Revenue from ordinary activities	Up	1,580.3%	to	379,588
Loss from ordinary activities after tax	Down	(1.3)%	to	(3,899,162)
Net loss for the period attributable to members	Down	(1.3)%	to	(3,899,162)

Net tangible assets per security

	31 December 2022 Cents	31 December 2021 Cents
Net tangible asset backing (per share)	**0.39**	0.41

Explanation of results

An explanation of the key financial elements contributing to the revenue and result above can be found in the review of operations included within the Directors' report.

Distributions

No dividends have been paid or declared by the Company for the current financial period. No dividends were paid for the previous financial period.

Changes in controlled entities

There have been no changes in controlled entities during the half-year ended 31 December 2022.

Other information required by Listing Rule 4.2A

N/A

ABN 35 090 987 250

Interim financial report for the half-year ended 31 December 2022

Contents

Arovella Therapeutics Limited
Corporate directory

Directors	Dr. Elizabeth Stoner *Non-Executive Interim Chairperson* Mr. David Simmonds *Non-Executive Director* Dr. Michael Baker *CEO and Managing Director* Dr. Debora Barton *Non-Executive Director* Mr. Gary Phillips *Non-Executive Director*
Secretary	Mr. Phillip Hains
Registered office	Level 3 62 Lygon Street Carlton VIC 3053 Australia Telephone: 03 9824 5254
Share registry	Automic Pty Ltd Level 35 477 Collins Street Melbourne VIC 3000 1300 288 664
Auditor	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street Perth WA 6000
Bankers	National Australia Bank 330 Collins Street Melbourne VIC 3000
Stock exchange listings	Australian Securities Exchange Ltd Exchange Plaza 2 The Esplanade Perth WA 6000 Listing codes: Ordinary shares ALA
Website	www.arovella.com

The Directors present their report on Arovella Therapeutics Limited (thereafter referred to "Arovella" or "the Company") for the half-year ended 31 December 2022.

The Directors were in office for the entire period and up to the date of this report.

Directors

Dr. Elizabeth Stoner - Non-Executive Interim Chairperson
Dr. Michael Baker - CEO and Managing Director
Dr. Debora Barton - Non-Executive Director
Mr. David Simmonds - Non-Executive Director
Mr. Gary Phillips - Non-Executive Director

Review and results of operations

The loss from ordinary activities for the half-year ended 31 December 2022 was $3,899,162, an decrease of 1.3% compared to last year (31 December 2021: $3,949,987). Cash at bank as at 31 December 2022 is $3,511,741 (30 June 2022: $6,070,967).

During the reporting period, Arovella made significant progress on advancing its iNKT cell therapy platform. Work continued at Q-Gen Cell Therapeutics for manufacturing of Arovella's lead product, ALA-101 for treatment of blood cancers, in preparation for first-in-human clinical trials. The company also further secured its IP position, receiving a notification of Intention to Grant for its European patent and optioning additional technology with the potential to improve the efficacy of iNKT cells.

The notable events during the half-year ended 31 December 2022 were:

• Entering into a Strategic Collaboration with Imugene to combine Imugene's onCARlytics platform and Arovella's iNKT cell therapy platform in preclinical trials;
• Receiving notification of Intention to Grant for European iNKT cell patent;
• Optioning a cytokine technology to enhance the iNKT cell therapy platform;
• Continuing of manufacturing activities at Q-Gen Cell Therapeutics; and
• Enhancement of the management team and Board
• Completing a strategic review of the Company's operations and announcing the closure of its Perth R&D Facility.

IMUGENE AND AROVELLA STRATEGIC COLLABORATION

On 26 September 2022, Arovella announced that it would collaborate with clinical stage immunooncology company, Imugene (ASX: IMU) to test Arovella's CAR19-iNKT (ALA-101) cell therapy in combination with Imugene's onCARlytics platform to tag and destroy solid tumours

Arovella's lead iNKT product, ALA-101, contains a Chimeric Antigen Receptor (CAR) that targets tumour cells producing CD19 on their surface. Typically, CD19 is on the cell surface of blood cancers. Imugene's onCARlytics platform enables solid tumour cancers to express CD19 on their surface, which creates the opportunity to use ALA-101 to tag and destroy the solid tumour cells.

Imugene is also evaluating CD19-targeting T-cell therapies in combination with onCARlytics. Pre-clinical data from Arovella demonstrates that ALA-101 cells outperform conventional T-cells in cancers that produce CD19 and CD1d. Achieving compelling data in the Imugene study would open potential new therapeutic targets for Arovella's iNKT cell therapy products in solid tumours.

Arovella and Imugene announced a successful outcome from in vitro experiments in February 2023. As a result, the companies have progressed their collaboration to the next phase of testing which will include testing the combination in mouse models of solid tumours (in vivo) The first readout from these in vivo experiments is expected mid-CY 2023.

Review and results of operations (continued)

KEY iNKT CELL PATENT GRANTED IN EUROPE

On 7 November 2022, Arovella announced that the European Patent Office issued a notification of Intention to Grant a patent for the iNKT cell therapy platform, under licence to Arovella from Imperial College Innovations Limited. The patent application, which covers the manufacturing of CAR-iNKT cells, is expected to proceed to grant in early 2023 following completion of the grant formalities. Once granted, the patent (EP19710101.7) will have a maximum term that will expire on 28 February 2039. Corresponding applications are pending in the United States, Canada, China, Hong Kong and Australia.

ENHANCING THE iNKT CELL THERAPY PLATFORM THROUGH AN OPTION TO LICENCE CYTOKINE TECHNOLOGY

On 20 December 2022, Arovella announced that it entered into an Exclusive Option to licence a cytokine technology for iNKT cells with the University of North Carolina Lineberger Comprehensive Cancer Center. While early, this novel technology represents a significant advancement in iNKT drug development and could further differentiate Arovella's iNKT cell technology. Arovella is one of a handful of companies known to be developing therapeutics based on iNKT cells and is focused on protecting this position through the acquisition of novel complementary technologies. This option can potentially increase the barriers to entry for other companies developing iNKT cell therapeutics.

The technology under this option incorporates the production of specialised cytokines in iNKT Cells. When iNKT cells produce these cytokines, preliminary data demonstrate more prolonged persistence and higher cell numbers, leading to improved efficacy. This technology has been developed by UNC Lineberger's Professor Gianpietro Dotti, who pioneered the generation of CAR-iNKT cells with Dr Leonid Metelitsa, and who is a leading authority on iNKT cell biology.

Patents covering the technology have been filed, and the data from animal trials is being generated. Arovella has 15 months to decide whether to proceed to a licence and will base this decision on the results of these animal studies.

MANUFACTURING CONTINUED FOR ALA-101

During the reporting period, manufacturing of Arovella's lead product, ALA-101, continued at Q-Gen Cell Therapeutics in Brisbane. Q-Gen is at the forefront of manufacturing immunotherapies and cell therapies and is accredited by Australia's Therapeutic Goods Administration as a Good Manufacturing Practice (GMP) facility. The facility can produce cellular immunotherapies for patients in Australia, Asia, the United States and Europe. Q-Gen has successfully produced autologous and allogenic cell therapy products for clinical trials. Developing a robust and reproducible manufacturing process for ALA-101 is a critical milestone as Arovella progresses ALA-101 towards clinical trials.

ENHANCEMENT OF THE MANAGEMENT TEAM AND BOARD

On 1 July 2022, Arovella strengthened its board through the appointment of Gary Phillips MBA, GAICD, as an independent Non-executive Director.

Mr Phillips has more than 30 years of operational management experience in the pharmaceutical and healthcare industry in Europe, Asia and Australia. He is currently the CEO and Managing Director of the ASX-listed company, Pharmaxis. Following his appointment as Pharmaxis CEO, Mr Phillips has overseen a company restructure focused on building value, forging new partnerships, and fostering the development of the Pharmaxis product pipeline.

Prior to joining Pharmaxis, he was previously the CEO at Ciba Geigy in Hungary (Merged to form Novartis in 1996) where he led the successful launch of a portfolio of new products. Mr Phillips was Novartis' area manager covering nine countries across Asia Pacific before joining Novartis Australia as Group Company Head and Chief Executive Officer of its Pharmaceutical Division, successfully launching leading oncology and ophthalmology products.

Gary Phillips holds a Bachelor of Pharmacy Honours degree from Nottingham University in the U.K. and an MBA from Henley Management College, UK. Mr Phillips is also a Graduate of the Australian Institute of Company Directors (GAICD).

On 4 January 2023, Arovella appointed Dr Nicole van der Weerden as Chief Operating Officer. Dr van der Weerden brings over 15 years of strong leadership experience in the biotechnology industry, driving business objectives including pre-clinical discovery, proof-of-concept, manufacturing, and clinical development. Dr van der Weerden holds a PhD in biochemistry from La Trobe University and an MBA from Melbourne Business School and is a graduate of the Australian Institute of Company Directors.

Dr van der Weerden is taking up the newly created COO role as Arovella enters a pivotal stage of development for its iNKT cell therapy platform, progressing towards first-in-human clinical trials.

Review and results of operations (continued)

Before this appointment, Dr van der Weerden was Chief Operating Officer and Executive Director at the ASX-listed biotechnology company, Hexima Limited. Dr van der Weerden led the strategic pivot of Hexima from an agricultural biotechnology company to a human therapeutics company. She led the financing and development strategy, pre-clinical and clinical programs, manufacturing, and worldwide patent strategy, for Hexima's lead asset, pezadeftide.

STRATEGIC REVIEW OF AROVELLA'S OPERATIONS AND CLOSURE OF PERTH R&D FACILITY

On 26 October 2022, following a strategic review of its development pipeline, Arovella announced that it will close its Perth-based research and development facility, ceasing expenditure on the OroMist platform. This will allow the Company to focus its resources and efforts entirely on the development of its iNKT cell therapy platform, which has significant potential to generate allogeneic cell therapies that target both blood cancers and solid tumours.

The closure of the Facility will incur one-off restructuring costs not expected to exceed $300k in FY 2023, but thereafter will provide an estimated cost saving of $1.5m per annum, based on historical costs.

Significant changes in the state of affairs

The following occurred during the period:

- 47,317,484 free-attaching options, each with an exercise price of $0.05, which were issued as part of a capital raising initiative expired on 31 July 2022. Prior to expiry, 85,204 options were exercised into ordinary shares on a 1:1 basis by option holders.
- On 15 September 2022, 2,500,000 unlisted options were issued to an external consultant. The options are exercisable at $0.069 each, expiring on 14 September 2025.
- On 2 December 2022, a total of 1,753,452 ordinary shares were issued at $0.038 each.
- A total of 1,860,756 ordinary shares were issued at $0.024 each on 20 September 2022 and 14 December 2022.

Events since the end of the reporting period

On 25 January 2023 and 27 January 2023, the Company issued 71,500,041 and 9,000,000 new ordinary shares at $0.02 per share to new and existing institutional and sophisticated investors to progress manufacturing of the Company's lead iNKT cell therapy product, ALA-101, in preparation for first-in-human clinical trials, to advance its DKK1-peptide targeting monoclonal antibody and for working capital.

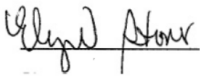
Subject to shareholder approval in the upcoming General Meeting, the Directors intend to participate up to 2,250,000 new ordinary shares at $0.02 per share amounting to $45,000 before costs.

No other matter or circumstances have arisen since 31 December 2022 that have significantly affected the Company's operations, results, or state of affairs, or may do so in the future.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is set out on page 6.

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



Dr. Elizabeth Stoner
Non-Executive Interim Chairperson

Melbourne
23 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Arovella Therapeutics Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
23 February 2023

B G McVeigh
Partner

Arovella Therapeutics Limited
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Notes	**31 December 2022 $**	31 December 2021 $
Revenue from contracts with customers	2	**379,588**	22,591
Other income	3	**1,048,763**	-
Interest income		**12,015**	1,584
Manufacturing costs		**(180,656)**	(106,594)
Employee benefits expenses		**(565,732)**	(630,420)
Depreciation of non-current assets		**(85,102)**	(103,468)
Amortisation of intangible assets		**(640,024)**	(177,817)
Finance costs		**(34,275)**	(183,152)
Licence fee		**(94,169)**	(482,752)
Research cost		**(1,662,466)**	(722,256)
Share-based payment expense		**(437,463)**	(250,364)
Other		**(1,639,641)**	(1,317,339)
Loss before income tax		**(3,899,162)**	(3,949,987)
Income tax benefit		**-**	-
Loss after tax from continuing operations		**(3,899,162)**	(3,949,987)
Net loss for the period		**(3,899,162)**	(3,949,987)
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(3,899,162)**	(3,949,987)
		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	5(a)	**(0.58)**	(0.82)
Diluted loss per share	5(a)	**(0.58)**	(0.82)

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

Arovella Therapeutics Limited
Condensed statement of financial position
As at 31 December 2022

	Notes	31 December 2022 $	30 June 2022 $
ASSETS			
Current assets			
Cash and cash equivalents		**3,511,741**	6,070,967
Trade and other receivables	7(a)	**18,348**	36,290
Other current assets		**494,908**	480,339
Assets classified as held for sale		**4,056**	-
Total current assets		**4,029,053**	6,587,596
Non-current assets			
Property, plant and equipment		**202,654**	266,061
Right-of-use assets		**16,106**	105,412
Intangible assets	8	**1,613,247**	2,253,271
Total non-current assets		**1,832,007**	2,624,744
Total assets		**5,861,060**	9,212,340
LIABILITIES			
Current liabilities			
Trade and other payables	7(b)	**1,301,483**	815,525
Contract liabilities		**170,000**	341,684
Borrowings		**312**	1,122
Provisions		**86,771**	284,045
Lease liabilities		**36,769**	66,228
Total current liabilities		**1,595,335**	1,508,604
Non-current liabilities			
Provisions		**7,393**	9,300
Lease liabilities		**-**	77,454
Total non-current liabilities		**7,393**	86,754
Total liabilities		**1,602,728**	1,595,358
Net assets		**4,258,332**	7,616,982
EQUITY			
Issued capital	9(a)	**83,639,446**	83,536,397
Reserves	9(b)	**1,434,109**	1,105,097
Accumulated losses		**(80,815,223)**	(77,024,512)
Total equity		**4,258,332**	7,616,982

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

Arovella Therapeutics Limited
Condensed statement of changes in equity
For the half-year ended 31 December 2022

	Notes	Attributable to owners of Arovella Therapeutics Limited			
		Issue Capital	**Accumulated Losses**	**Share-based Payment Reserve**	**Total**
		$	**$**	**$**	**$**
Balance at 1 July 2021		77,003,347	(68,472,350)	450,686	8,981,683
Loss for the period		-	(3,949,987)	-	(3,949,987)
Total comprehensive loss for the period		**-**	**(3,949,987)**	**-**	**(3,949,987)**
Transactions with owners in their capacity as owners:					
Shares issued during the period		5,044	-	-	5,044
Share issue costs		33,400	-	-	33,400
Equity settled share-based payments		-	-	250,364	250,364
		38,444	-	250,364	288,808
Balance at 31 December 2021		**77,041,791**	**(72,422,337)**	**701,050**	**5,320,504**
Balance as at 1 July 2022		**83,536,397**	**(77,024,513)**	**1,105,097**	**7,616,981**
Loss for the period		-	(3,899,162)	-	(3,899,162)
Total comprehensive loss for the period		**-**	**(3,899,162)**	**-**	**(3,899,162)**
Shares issued during the period	9(a)	111,289	-	-	111,289
Share issue costs	9(a)	(12,500)	-	-	(12,500)
Options issued/expensed	9(b)	-	-	437,464	437,464
Options lapsed during the period	9(b)	-	108,452	(108,452)	-
Options exercised	9(a)	4,260	-	-	4,260
Balance at 31 December 2022		**83,639,446**	**(80,815,223)**	**1,434,109**	**4,258,332**

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

Arovella Therapeutics Limited
Condensed statement of cash flows
For the half-year ended 31 December 2022

	31 December 2022 $	31 December 2021 $
Cash flows from operating activities		
Receipts from customers	**207,904**	279,734
Payments to suppliers and employees	**(3,861,636)**	(3,062,125)
Receipts from Government grants and tax incentives	**1,048,763**	524,042
Interest received	**12,015**	1,584
Interest paid	**(5,924)**	(3,823)
Finance cost	**(28,351)**	-
Net cash (outflow) from operating activities	**(2,627,229)**	(2,260,588)
Cash flows from investing activities		
Payments for property, plant and equipment	**-**	(32,381)
Net cash (outflow) from investing activities	**-**	(32,381)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**103,049**	5,044
Principal elements of lease payments	**(35,046)**	(42,740)
Net cash inflow/(outflow) from financing activities	**68,003**	(37,696)
Net (decrease) in cash and cash equivalents	**(2,559,226)**	(2,330,665)
Cash and cash equivalents at the beginning of the financial year	**6,070,967**	6,717,198
Effects of exchange rate changes on cash and cash equivalents	**-**	(607)
Cash and cash equivalents at end of the period	**3,511,741**	4,385,926

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

1 Summary of accounting policies

(a) Basis of preparation

These condensed interim financial statements are general purpose financial statements and have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134: *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the condensed interim financial statements for the Company. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as the full financial report. It is recommended these interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2022 and any public announcements made by Arovella Therapeutics Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the impact of the new Standards and Interpretations described in Note 1(c) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report has been prepared on an historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The interim financial report was authorised for issue on 23 February 2023.

The interim financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial report and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) New and amended standards adopted by the Company

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.

The adoption of these standards has not had any impact on the disclosures or amounts reported in these financial statements.

(d) New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new Standards and Interpretations in issue not yet adopted for the period ended 31 December 2022. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Company accounting policies.

1 Summary of accounting policies (continued)

(e) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. This includes the continued development and commercialisation of the Company's current projects.

As disclosed in the financial statements, the Company incurred an operating loss of $3,899,162 and a net cash outflow from operating activities amounting to $2,627,229 for the period ended 31 December 2022. As at 31 December 2022, the Company held cash and cash equivalents of $3,511,741. The Directors are of the opinion that the Company is a going concern for the following reasons:

- On 25 January 2023 and 27 January 2023, the Company issued 71,500,041 and 9,000,000 new ordinary shares at $0.02 per share to new and existing institutional and sophisticated investors to progress manufacturing of the Company's lead iNKT cell therapy product, ALA-101, in preparation for first-in-human clinical trials, to advance its DKK1-peptide targeting monoclonal antibody and for working capital.

  Subject to shareholder approval in the upcoming General Meeting, the Directors intend to participate up to 2,250,000 new ordinary shares at $0.02 per share amounting to $45,000 before costs.

- The Directors anticipate that a further equity raising will be required and will be completed in FY2023.

- Based on prior experience, the Directors are confident that they can raise additional capital if and when required.

If the raising of additional capital cannot be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. Despite these uncertainties, the Directors are of the view that the Company will be successful in the above matter and accordingly have adopted the going concern basis of the preparation of the financial report.

(f) Significant accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2022.

2 Revenue from contracts with customers

The Company derives its revenue from the sale or licence of goods and the provision of services at a point in time and over time in the timing of transfer of goods or service (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time).

	31 December 2022 $	31 December 2021 $
At a point in time		
Sale or license of goods	**207,904**	22,591
Over time		
Co-development revenue	**171,684**	-
Total revenue	**379,588**	22,591

3 Other income

	31 December 2022 $	31 December 2021 $
R&D tax incentive income	**1,048,763**	-

In the half-year ended 31 December 2022, the Company recognised an R&D tax incentive income of $1,048,763 for the year ended 30 June 2022.

4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of Arovella. The Company has identified one reportable segment, that was development of invariant Natural Killer T (iNKT) cell platform for cancer treatment and its oral spray delivery technology to treat cancer and conditions that affect the central nervous system.

5 Loss per share

(a) Basic and diluted loss per share

	31 December 2022	31 December 2021
Basic/diluted loss per share	**(0.58)**	(0.82)

(b) Reconciliation of loss used in calculating loss per share

	31 December 2022 $	31 December 2021 $
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(3,899,162)**	(3,949,987)

(c) Weighted average number of shares

The weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:

	31 December 2022 Number	31 December 2021 Number
Weighted average number of ordinary shares for the purpose of basic/diluted loss per share	**670,784,589**	480,847,951

6 Dividends

The Board of Directors of Arovella Therapeutics Ltd does not recommend the payment of an interim dividend for the period ended 31 December 2022.

7 Financial assets and financial liabilities

(a) Trade and other receivables

	31 December 2022			30 June 2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Trade and other receivables	**18,348**	**-**	**18,348**	36,290	-	36,290

(b) Trade and other payables

	31 December 2022	30 June 2022
	$	$
Current liabilities		
Trade payables	**777,629**	751,909
Sundry payables and accrued expenses	**523,854**	63,616
	1,301,483	815,525

The Company has a number of financial instruments which are not measured at fair value in the statement of financial position. The Directors consider that the carrying amounts of these financial instruments are considered to be a reasonable approximation of their fair values.

8 Intangible assets

	Patents	**Development costs**	**Total**
	$	**$**	**$**
Year ended 30 June 2022			
Opening carrying value	132,358	2,778,848	2,911,206
Additions	-	530,972	530,972
Amortisation	-	(355,636)	(355,636)
Impairment (i)	-	(833,271)	(833,271)
Closing net book amount	132,358	2,120,913	2,253,271
Period ended 31 December 2022			
Opening carrying value	132,358	2,120,913	2,253,271
Amortisation	-	(640,024)	(640,024)
Closing net book amount	132,358	1,480,889	1,613,247

(i) In the prior year, the Company has decided not to commit further resources into the Sumatriptan project as the co-development opportunity with Strides was terminated. The carrying value of the Sumatriptan project at reporting date has been fully impaired resulting in an impairment expense of $833,271 recognised in the statement of profit or loss and other comprehensive loss.

9 Equity securities issued

(a) Ordinary shares

	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 $	30 June 2022 $
Ordinary shares				
Fully paid	**673,534,638**	669,835,226	**83,639,446**	83,536,397
	673,534,638	669,835,226	**83,639,446**	83,536,397

(i) Movements in ordinary shares:

Details	Notes	Number of shares	Total $
Balance at 1 July 2022		**669,835,226**	**83,536,397**
Issue at $0.05 on the exercise of listed options		85,204	4,260
Issue of shares at $0.024		1,860,756	44,658
Issue of shares at $0.038		1,753,452	66,631
Less: Capital raising costs		-	(12,500)
Balance at 31 December 2022		**673,534,638**	**83,639,446**

(b) Share-based payment reserve

(i) Movement in share-based payment reserve

Details	Number of options	Total $
Opening balance 1 July 2022	**95,376,136**	**1,105,097**
Exercise of listed options	(85,204)	-
Expiry of listed options	(47,232,280)	-
Issue of unlisted options (September 2022)	2,500,000	36,011
Issue of unlisted options (December 2022)	10,400,000	223,202
Expiry of unlisted options	(4,000,000)	(108,452)
SBP expense for previously issued unlisted option	-	178,251
Balance at 31 December 2022	**56,958,652**	**1,434,109**

(ii) Fair value of options granted

The assessed fair value of options at grant date was determined using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions.

9 Equity securities issued (continued)

(b) Share-based payment reserve (continued)

(ii) Fair value of options granted (continued)

The model inputs for options granted during the half-year 31 December 2022 included:

Grant date	Expiry date	Exercise price ($)	No. of options	Share price at grant date ($)	Expected volatility	Dividend yield	Risk- free interest rate	Fair value at grant date ($)
2022-09-15	2026-09-15	0.0690	2,500,000	0.026	119.31%	0.00%	3.37%	36,011
2022-11-17	2027-11-17	0.0310	10,400,000	0.025	133.10%	0.00%	3.34%	223,202
			12,900,000					

10 Events occurring after the reporting period

On 25 January 2023 and 27 January 2023, the Company issued 71,500,041 and 9,000,000 new ordinary shares at $0.02 per share to new and existing institutional and sophisticated investors to progress manufacturing of the Company's lead iNKT cell therapy product, ALA-101, in preparation for first-in-human clinical trials, to advance its DKK1-peptide targeting monoclonal antibody and for working capital.

Subject to shareholder approval in the upcoming General Meeting, the Directors intend to participate up to 2,250,000 new ordinary shares at $0.02 per share amounting to $45,000 before costs.

No other matter or circumstances have arisen since 31 December 2022 that have significantly affected the Company's operations, results, or state of affairs, or may do so in the future.

11 Related party transactions

A total of 10,400,000 options were issued on 15 December 2022 to the Directors as approved by shareholder, amounted to $223,202. Refer to Note 9(b) for the valuation.

There were no other related party transactions other than those related to Director and key management personnel remuneration and transactions by the Company.

The Directors of Arovella Therapeutics Ltd ("Company") declare that:

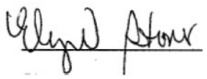
(a) the financial statements and notes set out on pages 7 to 16 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Arovella Therapeutics Limited will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.



Dr. Elizabeth Stoner
Non-Executive Interim Chairperson

Melbourne
23 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Arovella Therapeutics Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Arovella Therapeutics Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 Arovella Therapeutics Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Entity's financial position as at 31 December 2022 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*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1(e) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B M'Veigh

B G McVeigh
Partner

Perth, Western Australia
23 February 2023