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AdAlta
next generation protein therapeutics

HALF YEAR REPORT

**FOR THE PERIOD ENDING
31 DECEMBER 2022**

**ADALTA LTD
ABN 92 120 332 925**

1. Company details

Name of entity:	Adalta Limited
ABN:	92 120 332 925
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	52.5% to	1,109,314
Loss from ordinary activities after tax attributable to the owners of Adalta Limited	down	22.9% to	(2,821,742)
Loss for the half-year attributable to the owners of Adalta Limited	down	22.9% to	(2,821,742)

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 \$2,821,742 (31 December 2021: \$3,659,501).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.9</u>	<u>2.1</u>

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 2022 is attached.

11. Signed


Signed _____

Paul MacLeman
Chairman
Melbourne

Date: 27 February 2023

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Adalta Limited

ABN 92 120 332 925

Half year financial report - 31 December 2022

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Directors	Dr Paul MacLeman Dr Timothy Oldham Ms Elizabeth McCall Dr Robert Peach Dr David Fuller Dr James Williams (alternate to Elizabeth McCall)
Company secretary	Mr Cameron Jones
Registered office	Unit 15 / 2 Park Drive Bundoora Vic 3083
Auditor	Dry Kirkness (Audit) Pty Ltd Ground Floor, 50 Colin Street West Perth, Western Australia 6005
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

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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 2022.

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

Highlights of half-year to Dec 2022

- AD-214
 - Data supports potential use of AD-214 in four indications and via two routes of administration
 - Commenced preparation for Phase II clinical studies using intravenous route of administration
 - Advancing partnering and non-dilutive financing options for Phase II; managing expenditure to available cash reserves
 - Second Japanese patent granted
- i-CAR-T collaboration with Carina Biotech Pty Ltd (Carina) advances:
 - The first program ("target A") will advance to *in vivo* (preclinical proof of concept) studies in H1 CY2023
 - The next two targets have been agreed and discovery is due to start in Q2 CY2023.
- New publication suggests potential to use i-bodies as improved therapies for osteoporosis and other bone diseases, due to their ability to bind to RANKL, a membrane protein that controls bone resorption
- R&D Tax Incentive rebate of \$2,077,927 received in respect of the FY2022 financial year
- Period ending cash balance of \$7,336,135

Overview

The principal business of the Company is the discovery and development of next generation protein-based therapeutics. AdAlta's aim is to deliver antibody-like precision in applications beyond the limits of traditional antibody formats.

The Company creates value by:

1. Discovering new protein therapeutics and diagnostics using its i-body platform. i-bodies are the first fully human, single domain antibody-like proteins. They are a new class of small, targeted proteins that mimic the properties of the single domain antibodies found in the shark immune system.

They have been engineered to perform many of the characteristics of naturally occurring antibodies and their unique properties (small size, stability and long, flexible binding domain) make them ideally suited for addressing drug targets considered challenging or 'undruggable' by traditional antibody therapies. They are also suited to delivering or directing diverse therapeutic cargoes, a characteristic which can be beneficial when delivering therapies to difficult to reach targets within the human body.

2. Progressing or developing protein based therapeutic product candidates through pre-clinical studies, product development and early stage clinical trials.

That value is converted to revenue by:

A. Partnering with biotechnology and biopharmaceutical companies to co-develop i-body enabled products for targets identified by these partners, in return for research fees, development and commercialisation milestones and royalties.

B. Out-licensing products to large biopharmaceutical companies that have been progressed to various stages through development by AdAlta, in return for further development and commercialisation milestones and royalties.

AdAlta currently has six development programs in progress across a range of stages, from discovery to entering Phase II clinical trials, with a product franchise building across the fields of inflammation/fibrosis and immuno-oncology.

AD-214 - fibrosis

AdAlta's lead product candidate, AD-214, targets the G-Protein Coupled Receptor (GPCR) known as CXCR4 and is being developed as a 'first-in-class' therapeutic for fibrotic diseases. After completing Phase I clinical trials in healthy volunteers in mid-2021, the Company has been focussed on using the window of time before Phase II patient clinical trials could commence to expand the range of potential indications and routes of administration in which AD-214 might be applicable.

In October 2022, the Company announced that it had progressed preclinical studies of AD-214 in four indications and two routes of administration. In addition to the original focus on the degenerative and fatal orphan disease, Idiopathic Pulmonary Fibrosis (IPF) and related Interstitial Lung Diseases (ILDs), AdAlta now has encouraging preclinical results, suggesting potential efficacy of AD-214 in eye fibrosis and kidney fibrosis.

Proof of principle demonstrating that AD-214 could be delivered via inhalation has now been obtained. This is a potentially more convenient and value-enhancing route of administration for IPF.

Additionally in October 2022, a collaboration was announced to evaluate AdAlta's CXCR4 inhibiting i-bodies as cancer therapeutics, using GPCR Therapeutics' proprietary combination inhibition approach. Through this collaboration, the use of AD-214 and other i-bodies targeting CXCR4 in cancer is being explored in combination with drugs targeting other GPCRs. These GPCRs are known to work in pairs with CXCR4 and blocking both simultaneously may produce a superior treatment outcome in certain cancers. The collaboration is consistent with AdAlta's strategy of expanding the commercial use of i-bodies in a cost-effective way.

The value of novel antifibrotics continues to be validated by strong partnering interest shown through the period for AD-214, as well as recent peer transactions. One such transaction through the reporting period (announced August 2022) was AbbVie's purchase of DJS Antibodies for US\$225 million, primarily for a preclinical IPF product candidate.

Taking into account the quality of preclinical data, the competitive and transaction landscape for each indication, and the cost and time to progress AD-214 to clinical proof of concept in Phase II trials, AdAlta has prioritised preparing intravenous AD-214 for Phase II clinical trials in lung or kidney fibrosis. The final indication (either lung or kidney fibrosis) is expected to be confirmed in mid-2023.

Manufacturing has commenced for the extended dose toxicology studies, currently scheduled to begin late 2023, which are necessary to enable the AD-214 Phase II clinical trial. AdAlta is also finalising manufacturing plans for clinical AD-214 product to enable Phase II studies to commence in late 2024.

Manufacturing, toxicology and Phase II trials are expensive and remain subject to financing. AdAlta is working closely with its vendors to minimise the timeline to commencement of Phase II studies while carefully and selectively investing in short term and low cost studies to address questions frequently asked by potential partners. The Company is actively engaging pharmaceutical and biopharmaceutical companies that may be interested in partnering or co-developing AD-214 on a global or Asian regional basis, as well as pursuing other non-dilutive financing options.

AdAlta also continues to expand its intellectual property portfolio related to AD-214, with a second Japanese patent protecting the molecule granted after the end of the reporting period.

i-CAR-T – immuno-oncology

In August 2021, AdAlta entered a collaboration agreement with Carina, an Australian biotechnology company, to develop next generation i-body enabled Chimeric Antigen Receptor (CAR)-T cell therapies, named i-CAR-T.

CAR-T cell therapies involve modification of a patient's T cells (a type of immune cell) so they produce a CAR on the cell surface (CAR-T). The CAR-T cell can recognise and kill the cancer. There are now six approved CAR-T therapies for several blood cancers, which have been successfully used to treat patients who have failed multiple rounds of chemotherapy.

Under the collaboration, Carina and AdAlta will combine Carina's advanced CAR-T cell therapy technology platform with AdAlta's i-body platform to develop CAR-T and dual or bi-specific CAR-T products against up to five different targets. The companies will share development costs to reach the value enhancing pre-clinical proof of concept stage, at which point they will jointly own the products created.

Carina has now completed initial screening of multiple i-CAR-T constructs against the undisclosed "tumor target A" (A-i-CAR-T) and will progress three candidates into further *in vitro* and first time *in vivo* efficacy studies in the first half of 2023. If successful, these studies are anticipated to provide value enhancing pre-clinical proof of concept, and an asset that is ready for business development discussions with potential pharmaceutical partners.

In addition, AdAlta and Carina have agreed the next two targets to be investigated under the collaboration, with i-body discovery commencing at AdAlta during Q2 CY2023. These targets could be utilised in various gastrointestinal, gynaecological and neurological cancers. The two targets, as yet undisclosed, have limited competition and have been specifically selected to take advantage of the unique ability of i-bodies to engage targets that are challenging for traditional antibodies.

i-PET-imaging – immuno-oncology

In September 2019, AdAlta commenced a collaboration with GE Healthcare to develop i-body enabled PET imaging agents for use in immuno-oncology. Optimisation of the panel of i-bodies which bind to GE's target, granzyme B, continues to progress. Further updates for this program will be provided in consultation with GE Healthcare and as milestones are achieved.

Other programs

AdAlta commenced a discovery research program on an undisclosed target implicated in fibrosis and inflammation during the second half of 2021. The target is another member of the GPCR family. Limited progress was made on this program during the half year ended December 2022 as resources were prioritised to more advanced programs.

In January 2023, the Company announced that its collaborators at University of Western Australia had published research suggesting the potential to use i-bodies binding to a cell membrane protein called RANKL as improved therapies for osteoporosis and other bone diseases. The Company has applied for a patent to protect this invention and will continue to support Professor Xu and his team in this work. AdAlta is open to industry collaborations to advance this program.

Future milestones

AdAlta anticipates important data read-outs across its portfolio of programs during CY 2023:

2023 first half

- Start of manufacturing campaign of AD-214 for extended dose toxicology studies
- Additional pre-clinical data supporting efficacy of AD-214 in kidney fibrosis
- *In vitro* cell killing of A-i-CAR-T cells against Target A completed
- *In vivo* proof of concept studies of A-i-CAR-T cells commence
- Discovery programs for targets B and C for Carina i-CAR-T collaboration commence

2023 second half

- Additional pre-clinical data supporting efficacy of AD-214 in eye fibrosis
- Initiation of cGMP manufacturing of AD-214 for Phase II clinical studies
- Extended dose toxicology studies for AD-214 commence
- Phase II protocol for AD-214 clinical study finalised, CRO selected

Second half AD-214 milestones are subject to finalising strategy and financing for the AD-214 Phase II program.

Financial results

The loss for the company after providing for income tax amounted to \$2,821,742 (31 December 2021: \$3,659,501).

The half-year ended 31 December 2022 operating results included the following:

- Revenues from i-body platform partnerships of \$nil (31 December 2021: \$721,491);
- Grant income of \$586,053 (31 December 2021: \$196,693)
- Research and development expenditure of \$1,401,414 (31 December 2021: \$2,535,724);
- Corporate and administration expenses of \$871,083 (31 December 2021: \$638,009);
- Share based payment expense of \$153,602 (31 December 2021: \$99,190); and
- Net foreign exchange (loss)/gain of \$23,489 (31 December 2021: (\$10,401))

During the period the company received the Research and Development Tax Incentive (RDTI) cash refund of \$2,077,927 for the 2021/22 financial year (31 December 2021: \$2,663,660)

The cash position as at 31 December 2022 was \$7,336,135 (31 December 2021: \$9,078,347 and 30 June 2022: \$8,660,556).

Corporate developments

The Company's 2022 Annual General Meeting was held on 22 November 2022. All resolutions, including approval of the remuneration report, re-election of Paul MacLeman as Director, ratification of prior issue of placement shares under ASX listing rule 7.1 and 7.1A, approval of placement capacity and renewal of Omnibus equity plan were passed with greater than 98% approval.

Matters subsequent to the end of the financial half-year

As per ASX announcement on 24 January 2023, Yuuwa Capital Venture Capital fund completed their end-of-fund wind-up and exit with major shareholders associated with the fund becoming substantial shareholders of AdAlta Limited.

The company issued 524,515 new fully paid ordinary shares at \$0.042 in line with Spark+ agreement on 6 February 2023.

The company issued 666,666 new fully paid ordinary shares at \$0.045 in line with Grannus Securities agreement on 6 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

27 February 2023


AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of AdAlta Limited for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 2022.

DRY KIRKNESS (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 27 February 2023

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**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 2022, 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 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half year financial report, which indicates that the Company had a net asset position of \$2,710,372 as at 31 December 2022, incurred a loss after tax of \$2,821,742 and had net cash outflows from operating activities of \$1,318,261 for the half-year ended 31 December 2022. As stated in Note 2, these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 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*.

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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*.

DRY KIRKNESS (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 27 February 2023

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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 2022 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

27 February 2023

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Adalta Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue	4	1,109,314	727,268
Expenses			
Corporate administration expenses		(871,083)	(638,009)
Depreciation and amortisation expense		(15,055)	(12,863)
Employee benefit expense		(1,107,396)	(934,098)
Finance costs		(49,645)	(83,512)
Net foreign exchange (loss) / gain		23,489	10,401
Patent and legal costs		(356,350)	(93,774)
Research and development expenses		(1,401,414)	(2,535,724)
Share based payment expenses		(153,602)	(99,190)
Total expenses		<u>(3,931,056)</u>	<u>(4,386,769)</u>
Loss before income tax expense		(2,821,742)	(3,659,501)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Adalta Limited		(2,821,742)	(3,659,501)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Adalta Limited		<u>(2,821,742)</u>	<u>(3,659,501)</u>
		Cents	Cents
Basic earnings per share	5	(0.90)	(1.48)
Diluted earnings per share	5	(0.90)	(1.48)

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

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Adalta Limited
Statement of financial position
As at 31 December 2022



Note	31 Dec 2022	30 June 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	7,336,135	8,660,556
Trade and other receivables and prepayments	158,272	1,789,655
Other current assets	132,054	134,530
Total current assets	<u>7,626,461</u>	<u>10,584,741</u>
Non-current assets		
Property, plant and equipment	50,876	63,805
Total non-current assets	<u>50,876</u>	<u>63,805</u>
Total assets	<u>7,677,337</u>	<u>10,648,546</u>
Liabilities		
Current liabilities		
Trade and other payables	828,691	1,099,547
Borrowings	6 4,010,928	2,389,567
Provisions	112,253	145,349
Total current liabilities	<u>4,951,872</u>	<u>3,634,463</u>
Non-current liabilities		
Borrowings	-	1,613,386
Provisions	15,093	22,185
Total non-current liabilities	<u>15,093</u>	<u>1,635,571</u>
Total liabilities	<u>4,966,965</u>	<u>5,270,034</u>
Net assets	<u>2,710,372</u>	<u>5,378,512</u>
Equity		
Issued capital	7 41,010,888	41,010,888
Reserves	8 1,809,007	1,655,405
Accumulated losses	(40,109,523)	(37,287,781)
Total equity	<u>2,710,372</u>	<u>5,378,512</u>

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 2022



	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)
<i>Transactions with owners in their capacity as owners:</i>				
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	<u>39,765,387</u>	<u>1,480,277</u>	<u>(34,886,268)</u>	<u>6,359,396</u>
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	41,010,888	1,655,405	(37,287,781)	5,378,512
Loss after income tax expense for the half-year	-	-	(2,821,742)	(2,821,742)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,821,742)	(2,821,742)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	153,602	-	153,602
Balance at 31 December 2022	<u>41,010,888</u>	<u>1,809,007</u>	<u>(40,109,523)</u>	<u>2,710,372</u>

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

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Adalta Limited
Statement of cash flows
For the half-year ended 31 December 2022



	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		40,000	244,803
Payments to suppliers and employees		(4,108,654)	(3,862,028)
R & D tax incentive		2,077,927	2,663,660
Grant income		644,659	117,363
Interest received		27,807	242
		<u>(1,318,261)</u>	<u>(835,960)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(2,126)	(11,451)
		<u>(2,126)</u>	<u>(11,451)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	7	-	3,750,926
Payment of share issue costs	7	-	(252,320)
Repayment of borrowings		-	(1,769,331)
Proceeds from borrowings		-	2,400,000
		<u>-</u>	<u>4,129,275</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		(1,320,387)	3,281,864
Cash and cash equivalents at the beginning of the financial half-year		8,660,556	5,791,389
Effects of exchange rate changes on cash and cash equivalents		(4,034)	5,094
		<u>7,336,135</u>	<u>9,078,347</u>
Cash and cash equivalents at the end of the financial half-year			

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

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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 27 February 2023.

2. Significant accounting policies

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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.

Going concern

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

As disclosed in the financial statements, the Company had a net asset position of \$2,710,372 as at 31 December 2022, the Company incurred a loss after tax of \$2,821,742 and had net cash outflows from operating activities of \$1,318,261 for the half-year ended 31 December 2022.

The Company is required to repay the Loan recorded at 31 December 2022 of \$4.0 million with Treasury Corporation of Victoria (TCV) by 31 October 2023, coincident with the receipt of the FY23 Research & Development (R&D) tax incentive refund. In the event the Company does not receive a refund in excess of the Loan facility the Company will be required to repay the loan with its cash reserves.

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

2. Significant accounting policies (continued)

- The Company can scale down its operations sufficiently (and narrow the scope of its planned project activities) as required;
- The Company has a track record of raising capital as an ASX listed Company;
- The Company is in active discussions to license/partner its technology (in the ordinary course of executing its business plan);
- The Company holds no leases exceeding 3 months; and
- The Company has historically been successful in receiving Research & Development tax incentive refunds from the ATO.

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

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

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 2022	31 Dec 2021
	\$	\$
Research project costs	-	721,491
Interest revenue	27,807	242
Grant income	586,053	196,693
R&D tax rebate	495,454	(191,158)
	<u>1,109,314</u>	<u>727,268</u>

As at 30 June 2022 the Company accrued for \$1,582,473 as its estimated R&D refund for the period ending 30 June 2022. During the period ending 31 December 2022 the Company received its 2022FY R&D refund of \$2,077,927 resulting in an under accrual of \$495,454. The increase was as a result of an overseas finding certificate issued by AusIndustry.

5. Loss per share

	31 Dec 2022 \$	31 Dec 2021 \$
Loss after income tax attributable to the owners of Adalta Limited	<u>(2,821,742)</u>	<u>(3,659,501)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>314,184,746</u>	<u>248,093,459</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>314,184,746</u>	<u>248,093,459</u>
	Cents	Cents
Basic earnings per share	(0.90)	(1.48)
Diluted earnings per share	(0.90)	(1.48)

6. Borrowings

	31 Dec 2022 \$	30 June 2022 \$
<i>Current liabilities</i>		
Loan – R&D Advance ¹	<u>4,010,928</u>	<u>2,389,567</u>
	31 Dec 2022 \$	30 June 2022 \$
<i>Non-current liabilities</i>		
Loan - R&D Advance ¹	<u>-</u>	<u>1,613,386</u>

¹During FY2022 the Company executed a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative (Initiative) of up to \$4.0million.

In September 2021 the Company received the first tranche of \$2.4million. In February 2022 the Company received the second tranche of \$1.6million. The loan is a secured loan with an interest rate at the TCV 11am loan interest rate. The security is the R&D tax incentive refund (for the financial year ended 30 June 2023).

The TCV loan balance as at 31 December 2022 is \$4,010,928.

The rate as at 31 December 2022 was 3.265%. The current rate is 3.515%.

7. Issued capital

	31 Dec 2022 Shares	30 June 2022 Shares	31 Dec 2022 \$	30 June 2022 \$
Ordinary shares - fully paid	<u>314,184,746</u>	<u>314,184,746</u>	<u>41,010,888</u>	<u>41,010,888</u>

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.

7. Issued capital (continued)

	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Number	Number	\$	\$
Balance at beginning of the reporting period	314,184,746	245,175,853	41,010,888	36,232,030
Issue of ordinary shares	-	68,539,803	-	5,003,410
Capital raising costs	-	-	-	(265,965)
Issued on exercise of options	-	3,725	-	926
Issued for services in lieu of cash	-	465,365	-	40,487
	<u>314,184,746</u>	<u>314,184,746</u>	<u>41,010,888</u>	<u>41,010,888</u>

Options on issue

Expiry date	Number of options	Exercise price
20 March 2023	600,000	\$0.0835
15 March 2025	600,000	\$0.1747
26 November 2025	4,929,060	\$0.2482
29 November 2025	6,655,000	\$0.0848
28 February 2026	1,000,000	\$0.0760

Options issued during the period

No options were issued during the current reporting period.

8. Reserves

	31 Dec 2022	30 June 2022
	\$	\$
Share-based payments reserve	<u>1,809,007</u>	<u>1,655,405</u>

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.

	31 Dec 2022	30 Jun 2022
	\$	\$
At beginning of reporting period	1,655,405	1,381,087
Recognised during the period	<u>153,602</u>	<u>274,318</u>
At end of reporting period	<u>1,809,007</u>	<u>1,655,405</u>

9. Dividends

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

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10. Key management personnel disclosures

Remuneration arrangements of key management personnel are disclosed in the annual financial report at 30 June 2022.

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 2022, the Company has no significant commitments.

12. Events after the reporting period

As per ASX announcement on 24 January 2023, Yuuwa Capital Venture Capital fund completed their end-of-fund wind-up and exit with major shareholders associated with the fund becoming substantial shareholders of AdAlta Limited.

The company issued 524,515 new fully paid ordinary shares at \$0.042 in line with Spark+ agreement on 6 February 2023.

The company issued 666,666 new fully paid ordinary shares at \$0.045 in line with Grannus Securities agreement on 6 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

