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 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	99.5%	to	806,501
Loss from ordinary activities after tax attributable to the owners of Adalta Limited	down	24.9%	to	(4,510,576)
Loss for the half-year attributable to the owners of Adalta Limited	down	24.9%	to	(4,510,576)

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 $4,510,576 (31 December 2019: $6,004,500).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.0	2.1

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 Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Adalta Limited for the half-year ended 31 December 2020 is attached.

11. Signed

Signed _____ Date: 25 February 2021

Paul MacLeman
Chairman
Melbourne

Adalta Limited

ABN 92 120 332 925

Interim Report - 31 December 2020

Adalta Limited
Corporate directory
31 December 2020

Directors	Dr Paul MacLeman Dr Timothy Oldham Ms Elizabeth McCall Dr Robert Peach Dr David Fuller (appointed 22 July 2020) Dr James Williams (alternate to Elizabeth McCall)
Company secretary	Mr Cameron Jones
Registered office	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
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31 December 2020

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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 2020.

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 (appointed 22 July 2020)	Non-Executive Director
Dr James Williams (alternate to Elizabeth McCall)	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 are single domain antibodies with unique properties that enable 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).

Internal pipeline: encouraging early results from Phase I clinical trials of AD-214; selection of next targets progressing

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 with potential in other fibrotic diseases 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 is conducting a multi-part Phase I clinical program for AD-214. The purpose of this program is to demonstrate the safety and to explore the pharmacokinetics (blood circulation time), receptor occupancy (duration and extent of binding of AD-214 to its intended target) and tissue distribution of AD-214 in healthy volunteers and IPF and Interstitial Lung Disease (ILD) patients. Part A investigates single doses of AD-214 in healthy volunteers. In July 2020, the first participants in Part A were treated and AdAlta has now completed dosing in Part A. 42 participants have received AD-214 or placebo at doses ranging from 0.01 mg/kg to 20 mg/kg, the highest planned dose. No adverse safety events of clinical concern have been reported.

A key secondary endpoint of the Phase I study is 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 has maintained greater than 80% receptor occupancy on certain circulating white blood cells for seven days after a 10 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. Data is pending from the final, 20 mg/kg, cohort that was studied at two and three weeks. If repeated in IPF patients, these results are strongly supportive of longer dosing intervals than the weekly interval currently planned in future Phase I studies. Top line results for Part A are anticipated in March 2021, with Part B of the Phase I trial due to commence in the June quarter.

Development of a radiolabelled version of AD-214 for PET imaging will be used to measure the tissue distribution and receptor occupancy time of AD-214 in IPF and ILD patients as part of the Phase I program progressed into pre-clinical development during the December quarter.

To add further value to AD-214, AdAlta is demonstrating the broad applicability of this product in indications beyond IPF/ILD. During September, research conducted in collaboration with The Alfred Hospital and Monash University was published showing that AD-214's target, the receptor known as CXCR4, is highly expressed in a wide range of ILDs, not just IPF, and that CXCR4 was expressed significantly in the epithelial cells lining the lung airways and blood vessels as well as in sites of fibrotic injury. As epithelial cells may be driving fibrosis, this finding increases the potential importance of blocking CXCR4 in anti-fibrotic therapy, which is the approach AdAlta is taking with AD-214. During the December quarter, AdAlta received encouraging results from studies of AD-214 in a mouse model of fibrosis in chronic kidney disease and commenced studies in two mouse models of breast cancer to explore its potential in treating or preventing metastatic disease and improving the efficacy of checkpoint inhibitors. A strategic review of fibrosis, inflammation and cancer indications where AD-214 may be of benefit was commenced to establish priorities for further pre-clinical and clinical investigations.

The first partnering window for AD-214 may emerge towards the end of 2021 when AdAlta anticipate having preliminary safety and PET imaging results from IPF/ILD patients. There continue to be a number of Asian region and multinational pharmaceutical companies actively monitoring the Company's progress ahead of this data becoming available.

To expand the internal pipeline, a strategic review of targets to which i-bodies have been found in prior years has commenced to identify potential internal pipeline (wholly owned) targets that might progress more rapidly than discovery programs against a brand new target.

External pipeline: GE Healthcare elect to progress collaboration to lead optimisation; rich pipeline of co-development collaboration opportunities

AdAlta's collaboration with GE Healthcare to discover i-body candidates as diagnostic imaging agents successfully completed Stage 3 of the planned 8-11 month discovery process. On the basis of the properties of the panel of i-body candidates identified, GE Healthcare elected to progress to an optional Stage 4 during which the lead i-bodies will be further optimised. This stage is due to complete in the middle of the first half of calendar 2021 after which GE Healthcare will assume responsibility for pre-clinical and clinical development (subject to technical success at each stage). Since announcing the GE Healthcare collaboration in September 2019, AdAlta has received A$1.15 million in milestones and research fees.

AdAlta continues to progress co-development discussions with third parties to expand its external pipeline by combining AdAlta's i-bodies with third party targets or technology. During the December quarter, income was received from supply of i-bodies for evaluation as part of these discussions.

Financial results

The loss for the company after providing for income tax amounted to $4,510,576 (31 December 2019: $6,004,500).

The half-year ended 31 December 2020 operating results included the following:

- Revenues from i-body platform partnerships of $623,834 (31 December 2019: $386,516);
- Research and Development Tax Incentive refund of $3,143,923 for the 2018/2019 financial year (31 December 2019: $3,498,774)
- Research and development expenditure of $3,728,302 (31 December 2019: $4,993,307);
- Corporate and administration expenses of $1,131,781 (31 December 2019: $1,1160,176);
- Share based payment expense of $278,175 (31 December 2019: $294,220); and
- Net foreign exchange (loss)/gain of ($164,611) (31 December 2019: $61,179)

The cash position as at 31 December 2020 was $8,064,423 (31 December 2019: $5,024,755 and 30 June 2020 $3,366,503).

On receipt of the RDTI refund, the Company repaid in full a loan facility of $2,273,393 provided by Radium Capital as an advance against the RDTI.

On 11 August 2020, the Company announced it had received $4 million in commitments from existing and new institutional and sophisticated investors in an oversubscribed Placement. The Placement was made under available capacity in accordance with ASX Listing Rules 7.1 and 7.1A and completed on 18 August 2020 with the issue of 40,000,000 ordinary shares at $0.10 per share.

The Company also announced a one (1) for four (4) Entitlement Offer for Eligible Shareholders. The Entitlement Offer was fully allocated including Top-Up and Shortfall Facilities raising a total of $4.1million. As part of the Entitlement Offer a total of 40,986,403 shares were issued at $0.10 per share in September 2020.

In addition to the Placement and Entitlement Offer outlined above, the Company issued a further 243,837 ordinary shares at $0.10 per share to sophisticated investors in September 2020.

On 9 November 2020 the Company advised that 834,472 unlisted employee options were cancelled.

At the Company's AGM on 25 November 2020, the issue of Placement shares was ratified along with the additional capacity approved under ASX Listing Rule 7.1A, meaning the Company has the capacity to issue up to 25% of the currently issued share capital without additional shareholder approval.

Corporate developments

Dr David Fuller was appointed as a Non-executive Director of the Board in July 2020, bringing substantial clinical development and Asian market experience to the Company.

Non-executive Director fees, which were suspended from 1 April 2020 as part of the Company's COVID-19 response, were reinstated from 1 September 2020.

The Company's 2020 Annual General Meeting was held during the November. All resolutions, including approval of the remuneration report, election or re-election of directors, ratification of prior placements of shares under ASX Listing Rules 7.1 and 7.1A and amendments to the Constitution were passed with greater than 99% approval.

Matters subsequent to the end of the financial half-year

The competitive landscape for AdAlta's lead product, AD-214, in IPF was changed by the announcement on 10 February 2021 that Galapagos NV and their partner Gilead Sciences had terminated Phase III trials of ziritaxestat in IPF and had halted all further development of the molecule. Ziritaxestat is an autotaxin inhibitor, a different mode of action to AD-214. Trial failures of any drug are disappointing for patients and something to learn from rather than celebrate. However, there is now one fewer late stage competitors in the IPF pipeline and one less trial competing for IPF patients in Australia.

On 24 February 2021 the Company announced it received Orphan Drug Designation for AD-214 for the use in IPF from the Food and Drug Administration (FDA).

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.

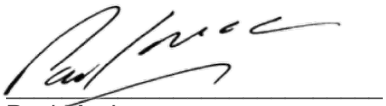
The Company has sufficient sources of cash to progress the multi-dose portion of the Phase I program and achieve the first PET images of radiolabelled AD-214 in patients, commence discovery on two additional i-body targets and secure a second co-development agreement.

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

25 February 2021

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AUDITOR'S INDEPENDENCE DECLARATION

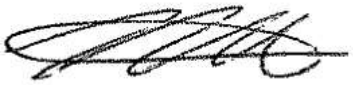
As lead auditor for the review of AdAlta Limited for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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 2020.

BUTLER SETTINERI (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 25 February 2021

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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 2020, 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 2020 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 2020 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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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

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: 25 February 2021

Adalta Limited
Directors' declaration
31 December 2020

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 2020 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

25 February 2021

Adalta Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	31 Dec 2020 $	31 Dec 2019 $
Revenue	4	806,501	404,236
Expenses			
Research and development expenses		(3,728,302)	(4,993,307)
Corporate administration expenses		(1,131,781)	(1,160,176)
Share based payment expenses		(278,175)	(294,220)
Net foreign exchange (loss) / gain		(164,611)	61,179
Depreciation and amortisation expense		(14,208)	(22,212)
Total expenses		(5,317,077)	(6,408,736)
Loss before income tax expense		(4,510,576)	(6,004,500)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Adalta Limited		(4,510,576)	(6,004,500)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Adalta Limited		(4,510,576)	(6,004,500)
		Cents	**Cents**
Basic earnings per share	5	(2.06)	(3.66)
Diluted earnings per share	5	(2.06)	(3.66)

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 2020

	Note	31 Dec 2020 $	30 Jun 2020 $
Assets			
Current assets			
Cash and cash equivalents		8,064,423	3,366,503
Trade and other receivables		277,784	3,364,391
Total current assets		8,342,207	6,730,894
Non-current assets			
Property, plant and equipment		84,440	98,648
Other non-current assets		77,918	77,918
Total non-current assets		162,358	176,566
Total assets		8,504,565	6,907,460
Liabilities			
Current liabilities			
Trade and other payables		1,069,981	829,858
Borrowings	6	-	2,191,327
Provisions		55,002	30,487
Other current liabilities		114,344	153,702
Total current liabilities		1,239,327	3,205,374
Total liabilities		1,239,327	3,205,374
Net assets		7,265,238	3,702,086
Equity			
Issued capital	7	36,232,029	28,436,476
Reserves	8	1,142,197	864,022
Accumulated losses		(30,108,988)	(25,598,412)
Total equity		7,265,238	3,702,086

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 2020

	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2019	26,529,233	553,831	(19,591,955)	7,491,109
Loss after income tax expense for the half-year	-	-	(6,004,500)	(6,004,500)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,004,500)	(6,004,500)
Transactions with owners in their capacity as owners:				
Share-based payments	-	294,220	-	294,220
Issue of ordinary shares	2,059,887	(280,267)	-	1,779,620
Share issue costs	(152,644)	-	-	(152,644)
Balance at 31 December 2019	28,436,476	567,784	(25,596,455)	3,407,805

	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

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 2020

	Note	31 Dec 2020 $	31 Dec 2019 $
Cash flows from operating activities			
Receipts from customers		623,834	386,517
Payments to suppliers and employees		(4,748,076)	(7,027,443)
R & D tax incentive		3,143,913	3,498,774
Grant income		180,414	-
Interest received		2,253	18,027
Net cash used in operating activities		(797,662)	(3,124,125)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,376)
(Payment)/refund of other non-current assets		-	2,600
Net cash from investing activities		-	224
Cash flows from financing activities			
Proceeds from issue of shares	7	8,123,024	1,779,620
Payment of share issue costs	7	(327,471)	(152,644)
Proceeds from borrowings		(2,284,363)	965,805
Net cash from financing activities		5,511,190	2,592,781
Net increase/(decrease) in cash and cash equivalents		4,713,528	(531,120)
Cash and cash equivalents at the beginning of the financial half-year		3,366,503	5,555,875
Effects of exchange rate changes on cash and cash equivalents		(15,608)	-
Cash and cash equivalents at the end of the financial half-year		8,064,423	5,024,755

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 25 February 2021.

2. Significant accounting policies

Statement of compliance
These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 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 2020 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 2020 $	31 Dec 2019 $
Licence income	-	181,115
Research project costs	623,834	205,401
Interest revenue	2,253	17,720
Grant income	180,414	-
Revenue	806,501	404,236

5. Loss per share

	31 Dec 2020 $	31 Dec 2019 $
Loss after income tax attributable to the owners of Adalta Limited	(4,510,576)	(6,004,500)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	219,083,030	164,114,921
Weighted average number of ordinary shares used in calculating diluted earnings per share	219,083,030	164,114,921
	Cents	**Cents**
Basic earnings per share	(2.06)	(3.66)
Diluted earnings per share	(2.06)	(3.66)

6. Borrowings

	31 Dec 2020 $	30 Jun 2020 $
Loan – R&D Advance	-	2,191,327

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

7. Issued capital

	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $	30 Jun 2020 $
Ordinary shares - fully paid	245,175,853	163,945,613	36,232,030	28,436,476

7. Issued capital (continued)

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 2020 Number	30 Jun 2020 Number	31 Dec 2020 $	30 Jun 2020 $
Balance at beginning of the reporting period	163,945,613	150,569,426	28,436,476	26,809,501
Issue of ordinary shares	81,230,240	13,732,581	8,123,024	1,779,619
Cancellation of ordinary shares	-	(356,394)	-	-
Capital raising costs	-	-	(327,471)	(152,644)
	245,175,853	163,945,613	36,232,029	28,436,476

Options on issue

Expiry date	Balance as at 30 June 2020	Issued in period	Exercised in the period	Expired in the period	Balance as at 31 December 2020
16 October 2020	600,000	-	-	(600,000)	-
1 November 2020	234,472	-	-	(234,472)	-
30 June 2021 (ASX Listed Options – 1ADO)	23,348,803	-	-	-	23,348,803
14 November 2021	730,000	-	-	-	730,000
27 February 2022	620,535	-	-	-	620,535
20 March 2023	600,000	-	-	-	600,000
26 November 2025	4,929,060	-	-	-	4,929,060
	31,062,870	-	-	(834,472)	30,228,398

8. Reserves

	31 Dec 2020 $	30 Jun 2020 $
Share-based payments reserve	1,142,197	864,022

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

	31 Dec 2020 $	30 Jun 2020 $
At beginning of reporting period	864,022	273,564
Recognised during the period	278,175	590,458
At end of reporting period	1,142,197	864,022

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 at 30 June 2020.

During the period Dr David Fuller was appointed as a Non-executive Director of the Board in July 2020, bringing substantial clinical development and Asian market experience to the Company.

Non-executive Director fees, which were suspended from 1 April 2020 as part of the Company's COVID-19 response, were reinstated from 1 September 2020. There were no other changes to key management personnel.

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 2020, the Company has no significant commitments.

12. Significant changes in the state of affairs

On 11th March 2020 the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19') as a pandemic. AdAlta has largely maintained its operational activity during 2020. La Trobe University (who manage the operating environment for the laboratories where the Company's internal research is conducted) and AdAlta have implemented a series of precautionary occupational health and safety measures in line with the Victorian Government recommendations including enhanced cleaning and personal protective equipment requirements, staff and researchers working from home wherever possible, educating all staff and researchers on appropriate hygiene and social distancing requirements and activating business continuity plans internally and with business partners. AdAlta implements and complies with the La Trobe University COVID Safe Plan for the safety of all employees and visitors.

While the broader economy has been impacted significantly, AdAlta has experienced a limited impact from the COVID-19 operating environment. The COVID-19 operating environment has in some cases affected operations at some of our research partners and suppliers that has caused minor delays to some projects to date. Amendments to the GE Healthcare collaboration agreement have been made to accommodate the COVID operating environment resulting in rephasing of revenue but not affecting overall revenue potential or cost. There have been no other significant implications to either revenue or operational expenditure in the current period. There may be longer term implications beyond the balance date as the COVID-19 operating environment evolves, the extent of which the Company cannot estimate.

13. Events after the reporting period

The competitive landscape for AdAlta's lead product, AD-214, in IPF was changed by the announcement on 10 February 2021 that Galapagos NV and their partner Gilead Sciences had terminated Phase III trials of ziritaxestat in IPF and had halted all further development of the molecule. Ziritaxestat is an autotaxin inhibitor, a different mode of action to AD-214. Trial failures of any drug are disappointing for patients and something to learn from rather than celebrate. However, there is now one fewer late stage competitors in the IPF pipeline and one less trial competing for IPF patients in Australia.

On 24 February 2021 the Company announced it received Orphan Drug Designation for AD-214 for the use in IPF from the Food and Drug Administration (FDA).

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.