



AdAlta
next generation protein therapeutics

HALF YEAR REPORT

FOR THE PERIOD ENDING
31 DECEMBER 2023

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 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	2.8% to	1,139,864
Loss from ordinary activities after tax attributable to the owners of AdAlta Limited	up	6.8% to	(3,014,638)
Loss for the half-year attributable to the owners of AdAlta Limited	up	6.8% to	(3,014,638)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$3,014,638 (31 December 2022: \$2,821,742).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.5</u>	<u>0.9</u>

4. Control gained over entities

Wholly owned subsidiary, Adsolis Pty Ltd was incorporated on 10 November 2023

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 2023 is attached.

11. Signed

Signed  _____

Date: 26 February 2024

Paul MacLeman
Chairman
Melbourne

Directors	Dr Paul MacLeman Dr Timothy Oldham Dr Robert Peach Dr David Fuller
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 Group") present their report, together with the financial statements, of the Group for the half-year ended 31 December 2023.

Directors

The following persons were Directors of the Group 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
Dr Robert Peach	Non-Executive Director
Dr David Fuller	Non-Executive Director

Review of operations

Highlights of half-year to Dec 2023

AD-214

- New data supporting potential efficacy of two weekly intravenous (IV) dosing regimen proposed to be used in Phase II studies in Idiopathic Pulmonary Fibrosis (IPF) AD-214 – reduces Phase II risk
- Additional data indicates potential subcutaneous (SC) route of administration for AD-214 – would enhance patient convenience and lower cost of goods, improving value to partners
- Interim data from Phase I extension clinical study further reinforces dose selection and safety profile at planned Phase II dose – further reduces risk and when complete means AD-214 Phase II ready
- Advanced discussions to finance Phase II clinical studies through fully licensing-out to larger biopharmaceutical companies or co-developed with an asset specific investment vehicle financed by a third party strategic or financial investor – either of these outcomes would allow the realisation of AD-214's underlying value

i-body® platform programs

- The i-body® platform enabled a potential breakthrough in malaria treatment. This treatment, discovered in partnership with La Trobe University; is a world first high potency and pan-species inhibitor of cell invasion by the malaria parasite – the world first discovery adds another program to AdAlta's pipeline and demonstrates broad potential of i-body® platform

Corporate

- Raised \$3.52 million in an oversubscribed Shortfall Facility placement and subsequent Placement Offer
- Received a R&D Tax Incentive (RDTI) rebate of \$2,350,940 in respect of FY2023
- Balance Sheet strengthened by using part of RDTI rebate to retire \$2 million of a facility under the Victorian Government R&D Cash Flow Incentive Scheme (Facility)
- Period ending cash balance of \$3,682,259

Overview

The principal business of the Group 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 solves challenging drug targeting problems to generate a promising new class of single domain antibody-enabled protein and cell therapeutics with the potential to treat some of today's most challenging medical conditions.

The Group 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.

3. Collaborating with companies owning complimentary technologies to advance their platforms and create novel i-body®-enabled products neither could create on their own.

AdAlta's 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 and/or continued equity interests in each asset.

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 five active 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 - safety profile and Phase II dose selection reinforced, de-risking Phase II and supporting partnering
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. AdAlta's highest priority strategy is to complete preparation of AD-214 for Phase II studies and to secure third party financing for Phase II trials either by fully licensing-out to larger biopharmaceutical companies or co-developing in an asset specific investment vehicle financed by a third party strategic or financial investor.

In July 2023, the Group announced new data establishing a clear and quantitative link between CXCR4 receptor occupancy (the duration for which AD-214 blocks its target, a receptor known as CXCR4) and inhibition of a model fibrotic process. This enabled a model to be built predicting the likely efficacy of different AD-214 doses and dose intervals (September 2023). This in turn further supported the potential efficacy of the Phase II target dose of AD-214 (10mg/kg administered IV every two weeks), significantly derisking the selection of doses for Phase II studies. Importantly, this model could be adapted to simulate SC administration and showed that a weekly SC injection, which would be more convenient for patients and potentially a lower cost of goods, may also be efficacious. The potential to develop a SC formulation of AD-214 in parallel with Phase II clinical studies and ahead of Phase III clinical studies is very attractive to potential partners.

AD-214 returned to the clinic in August 2023 when the first participants in a Phase I extension clinical study received their first dose of AD-214 at the target Phase II dose of 10 mg/kg every two weeks. The purpose of this study is to evaluate the safety and tolerability of the target Phase II dose, completing the requirements to progress AD-214 towards Phase II efficacy studies. Interim results released in October 2023 after all participants had received their third dose of AD-214 reinforced the safety process and Phase II dose selection decisions. The bioavailability of AD-214 and the blocking of its target receptor, CXCR4 (receptor occupancy) was in line with prior single dose studies, consistent across all three doses and, most significantly, in line with the predictions of the dose simulation models. The immune response to AD-214, as measured by the number of participants in which anti-drug antibodies were detected and the level of these antidrug antibodies, was lower at this time point than observed in prior multi-dose studies. Study investigators have reported no dose limiting toxicity, no need to interrupt doses and no requirement to administer medication to manage infusion reactions. The frequency of mild infusion related reactions appears lower than that observed at 5 mg/kg in the original Phase I study. All study participants have now received their fourth and final dose of AD-214 with final study results on track to be received by the end of February 2024.

Once the Phase I extension study is complete, AdAlta will have completed all possible work to demonstrate the safety, tolerability and potential efficacy of AD-214 prior to a Phase II study. The consistent success of AD-214 places AdAlta in the optimal position to secure out-licensing or strategic investment partners in the asset to enable preparation for and execution of those Phase II studies. The development of a pipeline of potential partners is an ongoing and advanced favourably during the quarter. One particular highlight was JPMorgan Healthcare Week (8-11 January 2024 in San Francisco, USA), one of the most significant industry events for partnering and investment each year. The Group is confident it has created a robust pipeline of genuinely interested parties and has engaged appropriate advisors to facilitate the partnering process. Completion of the Phase I extension study is a key milestone in the partnering process; however, the exact timing and structure of any partnership cannot be predicted.

AdAlta also continues to expand its intellectual property portfolio related to AD-214, with a new patent application protecting methods of treatment using the molecule granted filed. If granted, this patent family would provide protection from biosimilar to 2043.

AdAlta's collaboration with GPCR Therapeutics Inc (October 2022) continues to evaluate several CXCR4-binding i-bodies as cancer therapeutics using GPCR Therapeutics' proprietary combination inhibition approach. Results continue to be favourable with pivotal data to enable decisions on future steps anticipated in 2024.

Immuno-oncology – potential of i-body® platform to enable next generation multifunctional CAR-T cells garnering increased interest as new targets enter discovery

AdAlta has identified the i-body® platform to become a key building block of advanced cell and gene therapy products, and particularly i-body® enabled Chimeric Antigen Receptor-T cell (i-CAR-T cell) therapies for solid tumours. Building on AdAlta's i-CAR-T collaboration with Carina Biotech, a clear opportunity is emerging to use the i-body® platform as the smallest available tool to help direct these transformational therapies specifically to cancer and/or to enhance their function when they arrive. During Advanced Therapies Week, (16-19 January 2024, Miami, USA, a key gathering of developers of, investors in and service providers to the cell and gene therapy industry) the Group was able to further test this strategy with potential co-development partners, investors, and owners of clinic ready assets that AdAlta could potentially license.

The strategy and positioning were well received, increasing confidence in the potential to develop a robust and valuable clinical stage pipeline of assets after AD-214 and expanding the potential applications of i-bodies beyond CAR-T cell therapy to include gene and mRNA delivered therapies.

AdAlta's existing immuno-oncology co-development programs, with Carina Biotech (i-CAR-T) and GE Healthcare (i-PET imaging), continued to progress. AdAlta has now commenced discovery activities against two additional tumour antigen targets with the eventual objective of creating i-CAR-T cells with capability to target both antigens.

Malaria – world first high potency, pan-specific anti-malarial i-body® discovered, reinforcing power of the i-body® platform

In December 2023, AdAlta announced that its collaboration with La Trobe University had resulted in discovery of an i-body® believed to be the first ever antibody-like molecule capable of high potency inhibition of malaria parasite invasion of red blood cells and liver cells across multiple strains of the parasite. Variability between strains has plagued all previous attempts to produce a single antibody that can inhibit malaria parasite invasion. When combined with protecting cells from invasion at two different life cycle stages of the parasite, the new i-body® confers the real possibility AdAlta may be able to bring forward a new approach to treating malaria, a disease with 247 million cases each year resulting in 619,000 deaths and with local infections reappearing in Europe and USA. New intellectual property applications have been filed and the program will be progressed further through collaborators and grant funding.

This discovery demonstrates the versatility of the i-body® platform and the value of our collaboration with La Trobe University.

Other programs

AdAlta has a number of other i-body® candidates and discovery programs at various stages of lead optimisation that are not included in the active pipeline but are available for licensing.

Future milestones

AdAlta anticipates important data read-outs across its portfolio of programs during the first half of 2024:

- Final participant, final visit in AD-214 Phase I extension study (complete Feb 2024)
- Full safety and tolerability results for AD-214 Phase I extension study (Q1 2024)
- *In vivo* proof of concept results of Carina collaboration A-i-CAR-T cells (Q2 2024)
- Advance discovery on two new "catalogue" targets for i-CAR-T (H1 2024)

Financial results

The loss for the Group after providing for income tax amounted to \$3,014,638 (31 December 2022: \$2,821,742).

The half-year ended 31 December 2023 operating results included the following:

- Grant income of \$nil (31 December 2022: \$586,053)
- Research and development expenditure of \$2,027,634 (31 December 2022: \$1,401,414);
- Corporate and administration expenses of \$1,023,326 (31 December 2022: \$871,083);
- Share based payment expense of \$67,106 (31 December 2022: \$153,602); and
- Net foreign exchange (loss)/gain of \$3,613 (31 December 2022: (\$23,489))

During the period the Group received the Research and Development Tax Incentive (RDTI) cash refund of \$2,350,940 for the 2022/2023 financial year (31 December 2022: \$2,077,927)

The cash position as at 31 December 2023 was \$3,682,259 (31 December 2022: \$9,078,347 and 30 June 2023: \$4,789,513).

Corporate developments

The Company's 2023 Annual General Meeting was held on 22 November 2023. All resolutions were passed, including approval of the remuneration report, re-election of Paul MacLeman, David Fuller, Robert Peach, and Timothy Oldham as Directors, and ratification of prior issue of shares and options under ASX listing rule 7.4. Approval of issue Options for Timothy Oldham, Paul MacLeman, Robert Peach, and David Fuller under ASX listing rule 10.14, and approval of 10% placement capacity under ASX listing rule 7.1 and 7.1A was also passed. All resolutions were carried with support of more than 98% of shares voted.

The Company held an Extraordinary General Meeting on 14 December 2023. All resolutions were passed, including ratification of prior issue Shares and Options under ASX listing rule 7.4, issue of Additional Options, approval of issue of oversubscription for Shares and Options, and approval of issue of Options to Peak Asset Management under ASX listing rule 7.1. Approval of Shares and Options to an entity associated with Timothy Oldham under ASX listing rule 10.11 was also passed. All resolutions were carried with support of more than 93% of shares voted.

Matters subsequent to the end of the financial half-year

In January 2024 the company repaid \$600,000 of the loan with Treasury Corporation of Victoria (TCV).

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group'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

26 February 2024

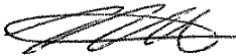
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of AdAlta Limited for the half year ended 31 December 2023, 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 2023.

DRY KIRKNESS (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth
Date: 26 February 2024

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") and its controlled entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to 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 Group's financial position as at 31 December 2023 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 financial report, which indicates that the Consolidated Entity had a net asset position of \$2,421,452 as at 31 Dec 2023, incurred a loss after tax of \$3,014,638 and had net cash outflows from operating activities of \$2,303,862 for the half-year ended 31 December 2023. 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 Consolidated Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 financial report* sections of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half Year 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 the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation 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 Auditing Standard on Review Engagement 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, anything has come to our attention that causes us to 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 Consolidated Entity's consolidated financial position as at 31 December 2023 and its consolidated financial 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.

DRY KIRKNESS (AUDIT) PTY LTD



ROBERT HALL CA
Director

Perth

Date: 26 February 2024

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 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group 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

26 February 2024

AdAlta Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023



	Note	31 Dec 2023 \$	31 Dec 2022 \$
Revenue	4	1,139,864	1,109,314
Expenses			
Corporate administration expenses		(1,023,326)	(871,083)
Depreciation and amortisation expense		(9,978)	(15,055)
Employee benefit expense		(839,682)	(1,107,396)
Finance costs		(72,953)	(49,645)
Net foreign exchange (loss) / gain		3,613	23,489
Patent and legal costs		(117,436)	(356,350)
Research and development expenses		(2,027,634)	(1,401,414)
Share based payment expenses		(67,106)	(153,602)
Total expenses		<u>(4,154,502)</u>	<u>(3,931,056)</u>
Loss before income tax expense		(3,014,638)	(2,821,742)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of AdAlta Limited		(3,014,638)	(2,821,742)
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>(3,014,638)</u>	<u>(2,821,742)</u>
		Cents	Cents
Basic earnings per share	5	(0.66)	(0.90)
Diluted earnings per share	5	(0.66)	(0.90)

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 2023



	Note	31 Dec 2023 \$	30 Jun 2023 \$
Assets			
Current assets			
Cash and cash equivalents		3,682,259	4,789,513
Trade and other receivables and prepayments		1,352,169	2,695,440
Other current assets		174,051	212,127
Total current assets		<u>5,208,479</u>	<u>7,697,080</u>
Non-current assets			
Property, plant and equipment		88,426	36,009
Total non-current assets		<u>88,426</u>	<u>36,009</u>
Total assets		<u>5,296,905</u>	<u>7,733,089</u>
Liabilities			
Current liabilities			
Trade and other payables		730,204	1,700,147
Borrowings	6	2,007,669	4,013,858
Provisions		113,356	94,188
Total current liabilities		<u>2,851,229</u>	<u>5,808,193</u>
Non-current liabilities			
Provisions		24,224	14,942
Total non-current liabilities		<u>24,224</u>	<u>14,942</u>
Total liabilities		<u>2,875,453</u>	<u>5,823,135</u>
Net assets		<u>2,421,452</u>	<u>1,909,954</u>
Equity			
Issued capital	7	45,562,095	42,175,065
Reserves	8	2,012,963	1,873,857
Accumulated losses		(45,153,606)	(42,138,968)
Total equity		<u>2,421,452</u>	<u>1,909,954</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 2023



	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>
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2023	42,175,065	1,873,857	(42,138,968)	1,909,954
Loss after income tax expense for the half-year	-	-	(3,014,638)	(3,014,638)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,014,638)	(3,014,638)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	67,106	-	67,106
Issue of ordinary shares	3,576,194	-	-	3,576,194
Share issue costs	(189,164)	72,000	-	(117,164)
Balance at 31 December 2023	<u>45,562,095</u>	<u>2,012,963</u>	<u>(45,153,606)</u>	<u>2,421,452</u>

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 2023



	Note	31 Dec 2023	31 Dec 2022
		\$	\$
Cash flows from operating activities			
Receipts from customers		-	40,000
Payments to suppliers and employees		(4,688,147)	(4,108,654)
R & D tax incentive		2,350,940	2,077,927
Grant income		-	644,659
Interest received		33,345	27,807
		<u>(2,303,862)</u>	<u>(1,318,261)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(62,395)	(2,126)
		<u>(62,395)</u>	<u>(2,126)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	7	3,475,694	-
Payment of share issue costs	7	(216,691)	-
Repayment of borrowings		(2,000,000)	-
		<u>1,259,003</u>	<u>-</u>
Net cash from financing activities			
Net decrease in cash and cash equivalents		(1,107,254)	(1,320,387)
Cash and cash equivalents at the beginning of the financial half-year		4,789,513	8,660,556
Effects of exchange rate changes on cash and cash equivalents		-	(4,034)
		<u>-</u>	<u>(4,034)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,682,259</u></u>	<u><u>7,336,135</u></u>

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 a Consolidated Entity consisting of AdAlta Limited, and the entities it controlled at the end of, or during, the half-year. 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 group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 22 February 2024.

2. Material accounting policy information

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 and any public announcements made by the Group 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.

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 Group had a net asset position of \$2,421,452 as at 31 Dec 2023, the Group incurred a loss after tax of \$3,014,638 and had net cash outflows from operating activities of \$2,303,862 for the half-year ended 31 Dec 2023.

The Group is required to repay the Loan recorded at 31 Dec 2023 of \$2,007,669 with Treasury Corporation of Victoria (TCV). On 18 October 2023 the Group announced the extension of the R&D repayment terms. 50% (\$2million) of the loan was repaid by 31 October 2023, with 15% (\$600,000) repaid in January 2024 and the remaining 35% (\$1.4million) to be repaid by 30 April 2024.

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

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

2. Material accounting policy information (continued)

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 Group 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 Group not be able to continue as a going concern.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Parent entity as at 31 December 2023 and the results of all subsidiaries for the half year then ended. The Parent entity and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns, its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Research and Development Rebate

With the successful track record of the consolidated entity in obtaining the Research and Development rebate from the ATO, an estimated rebate of \$1,143,251 has been accrued as income for the half-year ended 31 December 2023 (30 Jun 2023: \$2,387,672).

The company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

New or amended Accounting Standards and Interpretations adopted

The group 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 Group 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 Group is domiciled and conducts its operations in Australia.

4. Revenue

	31 Dec 2023	31 Dec 2022
	\$	\$
Interest revenue	33,345	27,807
Grant income	-	586,053
R&D tax rebate	1,106,519	495,454
	<u>1,139,864</u>	<u>1,109,314</u>

As at 30 June 2023 the Company accrued for \$2,387,672 as its estimated R&D refund for the period ending 30 June 2023. During the period ending 31 December 2023 the Company received its 2022FY R&D refund of \$2,350,940, resulting in an over accrual of \$36,732. As at 31 December 2023 the Group has accrued \$1,143,251 in relation to the estimated FY2024 R&D refund.

5. Loss per share

	31 Dec 2023	31 Dec 2022
	\$	\$
Loss after income tax attributable to the owners of AdAlta Limited	<u>(3,014,638)</u>	<u>(2,821,742)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>454,199,675</u>	<u>314,184,746</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>454,199,675</u>	<u>314,184,746</u>
	Cents	Cents
Basic earnings per share	(0.66)	(0.90)
Diluted earnings per share	(0.66)	(0.90)

6. Borrowings

	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
<i>Loan – R&D Advance¹</i>	<u>2,007,669</u>	<u>4,013,858</u>

¹During FY2022 the Group 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 Group 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).

On 18 October 2023 the Group announced the extension of the R&D repayment terms. 50% (\$2million) of the loan was repaid by 31 October 2023, with the remaining 15% (\$600,000) and 35% (\$1.4million) to be repaid by 31 January 2024 and 30 April 2024 respectively.

The TCV loan balance as at 31 December 2023 is \$2,007,669.

The current rate and the rate as at 31 December 2023 is 4.515%.

6. Borrowings (continued)

7. Issued capital

	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>525,804,077</u>	<u>366,679,546</u>	<u>45,562,095</u>	<u>42,175,065</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group 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 2023	30 June 2023	31 Dec 2023	30 June 2023
	Number	Number	\$	\$
Balance at beginning of the reporting period	366,679,546	314,184,746	42,175,065	41,010,888
Issue of ordinary shares	157,846,752	51,303,619	3,531,194	1,282,590
Capital raising costs	-	-	(189,164)	(170,443)
Issued for services in lieu of cash	1,277,779	1,191,181	45,000	52,030
	<u>525,804,077</u>	<u>366,679,546</u>	<u>45,562,095</u>	<u>42,175,065</u>

Options on issue

Expiry date	Number of options	Exercise price
29 May 2024	173,075,186	\$0.0300
15 March 2025	200,000	\$0.1744
26 November 2025	4,436,154	\$0.2479
29 November 2025	6,655,000	\$0.0845
28 February 2026	450,000	\$0.0757
27 February 2027	1,300,000	\$0.0397
25 August 2027	100,000	\$0.0200
22 November 2027	11,900,000	\$0.0200

Options issued during the period

No. of Options	Grant date	Expiry date	Grant date fair value	Vesting date	Exercise price
50,000	25/08/2023	25/08/2027	\$0.0130	25/08/2024	\$0.0200
50,000	25/08/2023	25/08/2027	\$0.0130	25/08/2025	\$0.0200
5,950,000	22/11/2023	22/11/2027	\$0.0120	22/11/2024	\$0.0200
5,950,000	22/11/2023	22/11/2027	\$0.0120	22/11/2025	\$0.0200
12,000,000	19/12/2023	29/05/2024	\$0.0060	19/12/2023	\$0.0300

For the options, the valuation model inputs used to determine the fair value at the grant date are as follows:

7. Issued capital (continued)

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility %	Dividend yield %	Risk-free interest rate %
25/08/2023	25/08/2027	\$0.0230	\$0.0200	67.67%	-	4.10%
22/11/2023	22/11/2027	\$0.0200	\$0.0200	79.74%	-	4.35%
19/12/2023	29/05/2024	\$0.0250	\$0.0300	-	-	-

1. The listed options were valued at the market value on the date of issue.

8. Reserves

	31 Dec 2023 \$	30 Jun 2023 \$
Share-based payments reserve	<u>2,012,963</u>	<u>1,873,857</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 2023 \$	30 Jun 2023 \$
At beginning of reporting period	1,873,857	1,655,405
Recognised during the period	<u>139,106</u>	<u>218,452</u>
At end of reporting period	<u>2,012,963</u>	<u>1,873,857</u>

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 2023.

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 2023, the Group has no significant commitments.

12. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2023 %	30 Jun 2023 %
ADSOLIS PTY LTD	Australia	100.00%	-

Adsolis Pty Ltd, wholly owned subsidiary of AdAlta Limited was incorporated on 10 November 2023.

13. Events after the reporting period

In January 2024 the company repaid \$600,000 of the loan with Treasury Corporation of Victoria (TCV).

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

