AdAlta

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2025

ADALTA LTD
ABN 92 120 332 925

AdAlta Limited
Contents
30 June 2025

AdAlta Limited
Corporate directory
30 June 2025

Directors	Dr Paul MacLeman Dr Timothy Oldham Dr David Fuller Ms Michelle Burke (Appointed 20 November 2024) Dr Robert Peach (Resigned 20 November 2024) Mr Iain Ross (Appointed 20 November 2024 and Resigned 30 June 2025)
Company secretary	Mr Cameron Jones
Registered office	Suite 201, 697 Burke Road Camberwell VIC 3124
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.
ASX Code	1AD and 1ADO
Website	www.adalta.com.au

AdAlta Limited
Chair and Managing Director's Letter
30 June 2025

AdAlta is well into a transformation journey to create a regional leader in cellular immunotherapies at the forefront of two seismic shifts in our industry: the rise of China as an innovation powerhouse and new technologies to modify a patient's own immune cells to find and fight solid cancers.

Dear fellow shareholder,

AdAlta is well into a transformation journey. In the first half of 2024, AdAlta completed its second Phase 1 clinical trial for AD-214 and launched our "East to West" cellular immunotherapy strategy. We stand poised to capitalise on the work done during the financial year ended 30 June 2025 (FY25) to give effect to this transformation.

In early 2025 we fully committed to the "East to West" strategy to drive growth in clinical stage assets, while recognising that there remains significant value to be unlocked by monetising our existing assets including AD-214.

Our "East to West" cellular immunotherapy strategy is supported by two key macro-drivers: the rise of China as a global powerhouse of biopharmaceutical innovation (but with real barriers to exporting that innovation that we can solve) and the growing evidence that T cell therapies can deliver transformational therapeutic outcomes impossible with other therapeutic modalities (and where applying this technology to solid cancers is the next frontier). We are now finalising exclusive negotiations to license two highly differentiated CAR-T cell therapies, developed in China for solid cancers, following successful technical due diligence and planning in the final quarter of FY25. The merits of sourcing assets from China continued to be validated both by the increasing volume of licensing transactions across our industry involving Chinese assets, and by positive investor feedback about our business model. We have multiple ongoing and highly productive discussions with potential investors that we anticipate will enable us to secure the capital to support licensing our first CAR-T asset in the very near future.

Of our existing assets, we are particularly focused on AD-214 and WD-34. AD-214 offers a whole new approach to treating degenerative and fatal fibrotic diseases such as idiopathic pulmonary fibrosis. Eli Lilly in-licensed a Phase 1 antibody product candidate (the same stage of development as AD0214) in January 2025 for US$99 million up front and US$687 million in contingent milestones plus royalties, confirming the value of new assets in this field. We continue to advance partnering discussions in respect of this asset. WD-34 is, we believe, the world's first antibody-like molecule conferring pan-species inhibition of malaria parasite invasion, offering the potential for a new, single dose prophylactic treatment for travelers, deployed personnel and children and pregnant women in endemic malarial areas. We are exploring ways to out-license this pre-clinical stage candidate for further development.

We are excited by, and committed to, the potential for near term transactions to transform our business and unlock value for shareholders. The financing environment for biotechnology does remain challenging due to global financial market volatility and partnering discussions for our existing assets are progressing more slowly than we had hoped, and so we have implemented significant and appropriate cost reduction measures, including the cessation of our internal discovery R&D and resulting reduction in the size of our organization. The Board and CEO have suspended fees and salary pending completion of these transactions and while we review other strategic options for the business.

On behalf of the entire AdAlta Board, we would like to acknowledge and thank our former staff for their commitment and contribution to our business. We also want to take this opportunity to thank our loyal and patient shareholders for their support, including through supporting our fully subscribed Renounceable Rights Issue in the last quarter of FY25. We are on the cusp of an opportunity to create a regional leader in cellular immunotherapies at the forefront of two seismic shifts in our industry.

Paul MacLeman
Non-executive Chair

Tim Oldham
CEO and Managing Director

The Directors of AdAlta Limited ("AdAlta" or "the Group") submit herewith the Annual Report of the Group for the financial year ended 30 June 2025. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors

The names and particulars of the Directors of the Group during or since the end of the financial year are:

Dr Paul MacLeman
MBA, BVSc, Grad Dip Tech, Grad Cert Eng, FAICD, MATT

Chairman, joined the board 16 April 2015. Paul has over 25 years experience across all phases of the life sciences sector. With a career-spanning veterinary practice, pharmaceutical development and manufacturing, biotechnology, diagnostics and finance, Paul has expertise in capital management, business development, technology commercialisation and sales & marketing globally. Paul has launched products using both in-house and outsourced sales staff in Australia and the US. He has founded life sciences start-ups in the biologics area and worked in investment banking focusing on the analysis and financing of technology companies. Paul has previously served as Chairman, Director or Managing Director/CEO of several VC funded, ASX, NASDAQ, CSE and TSX listed companies and has driven a number of IPOs. Paul Chaired the Industry Review Committee for the Pharmaceutical Manufacturing National Training Package for the AISC for approximately 10 years prior to the establishment of the new Jobs and Skills Councils and advises the new formed Manufacturing Industry Skills Alliance. He is also an expert advisor to PharmaVentures plc. (Oxford, UK) and serves on a number of other NFP and government advisory groups. He currently Chairs or is a Non-Executive Director of a number of ASX listed, public unlisted and private companies. Paul resigned as the Executive Chairman of Island Pharmaceuticals Limited (ASX:ILA) on 19 November 2024.

Dr Timothy Oldham
BSc(Hons), LLB (Hons), PhD

Managing Director and CEO, joined the Board on 8 October 2019. Tim has more than 20 years of life sciences business development, alliance management, portfolio and product development, and commercialisation experience in Europe, Asia and Australia, with a particular focus on biologics, cell and gene therapies and pharmaceutical products. Tim was appointed CEO and MD in October 2019. Immediately prior to this, he was Executive Leader of Tijan Ventures, an advisory business focused on growing life sciences companies through strategic advisory and interim CEO, executive and non-executive leadership services, with a particular focus on biologics, cell and gene therapies and immunotherapy. Previous roles include CEO and Managing Director of Cell Therapies Pty Ltd, a leading contract manufacturer and distributor of cellular therapies in Asia Pacific, President of Asia Pacific for Hospira, Inc., and a variety of senior management roles with Mayne Pharma Ltd prior to its acquisition by Hospira. Prior to this, Tim was an engagement manager with McKinsey & Company. He currently serves as a Non-executive Director at Acrux Ltd (ASX:ACR) and Non-executive Chair at Skin2Neuron Pty Ltd.

Dr David Fuller
MBBS, BPharm(Hons)

Non-Executive Director, appointed 22 July 2020. David has over 30 years experience in preclinical, clinical development, medical and regulatory affairs with specialisations in early phase development and oncology. He has led five product approvals in the United States (US) and European Union (EU) for orphan and major market products, together with multiple Regulatory Agency (US/EU) interactions including Investigational New Drug (IND) applications. David has designed and executed multiple Phase I – III studies in US, EU and Asia across multiple therapeutic areas. David is currently Chief Medical Officer for Dimerix Ltd. Previously David was Chief Medical Officer for Aucentra Therapeutics, Chair of EpiAxis Therapeutics Pty Ltd, Chief Medical Officer at Race Oncology (ASX:RAC), Senior Vice President, Oncology, Syneos Health, a Non-Executive Director of Linear Clinical Research Ltd – a Perth based clinical trials facility – and a former Chair of Dimerix Ltd (ASX:DXB). David holds Bachelor of Medicine/Bachelor of Surgery and Bachelor of Pharmacy degrees from University of Sydney.

Ms Michelle Burke (Appointed 20 November 2024) BSc(Hons), GAICD	Michelle joined the Board on 20 November 2024. Michelle has more than 25 years experience in the life sciences sector, with a breadth of knowledge across pharma and biotech industries, from early stage development through to late stage commercialisation, across pre-IPO, private commercial, industry groups and multinational organisations. Her executive career as a commercial leader spanned more than two decades, including at Bristol-Myers Squibb and SmithKline Beecham. With her most recent focus on pre-launch, market access and payor negotiations, she has delivered market access, reimbursement and stakeholder leadership for products across multiple therapeutic areas, including oncology, haematology, immunology, virology, cardiovascular and metabolic conditions. She also led the New Zealand commercial business, launching key products in that market, and was business development lead for Australia and New Zealand. Michelle is currently the industry nominee to the Pharmaceutical Benefits Advisory Committee, an independent statutory body that makes medicines decisions for inclusion to the Pharmaceutical Benefits Scheme (PBS). She is also Chair and non-executive director at Cell Therapies Pty Ltd (a leading contract development and manufacturer (CDMO) in cell and gene therapies). Other roles include non-executive director at Olivia Newton-John Cancer Research Institute, Senseye Australia Pty Ltd, as well as being past Chair of AusBiotech Ltd, the peak industry association for the life sciences sector. Michelle also serves as an advisor for Proto Axiom Pty Ltd, an incubator for early stage research commercialisation, and volunteers her expertise to other advisory boards.
Mr Iain Ross (Appointed 20 November 2024 and Resigned 30 June 2025)	Iain was appointed to the Board on 20 November 2024 and resigned on 30 June 2025.
Dr Robert Peach (Resigned 20 November 2024) BSc, MSc, PhD	Robert resigned as Non-Executive Director on 20 November 2024.

The above-named Directors held office during the whole of the financial year and since the end of the financial year, unless otherwise indicated.

Company Secretary

The name and particulars of the Company Secretary of the Group during or since the end of the financial year are:

Cameron Jones B.Bus, CA,GIA(Cert)	Cameron is a finance executive and Chartered Accountant with experience as CFO and Company Secretary of ASX Listed and Venture Capital healthcare companies. Cameron has supported companies through IPOs, capital raising and M&A transactions. Cameron is the Managing Director of Bio101, a financial services firm providing transaction advisory, CFO, accounting, tax and company secretarial services specialising in the healthcare and life science sectors.

Directors' shareholdings as at the date of this report

The following table sets out each Director's relevant interest in shares, debentures and rights or options in shares or debentures of the Group as at the date of this report:

Directors	Fully paid ordinary shares (Number)	Unlisted Options (Number)	Listed Options (Number)[1]	Performance Rights (Number)
Dr Paul MacLeman	544,042	5,855,000	35,536	-
Dr Timothy Oldham	13,368,416	12,486,255	5,833,333	1,396,999
Dr David Fuller	491,560	2,950,000	98,312	-
Ms Michelle Burke	-	-	-	-

[1]Listed Options trade under ASX code 1ADO, have exercise price of 1.0 cent and expire 3 June 2028.

Dividends

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

Shares under option as at the date of this report

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
3,450,342	Ordinary	$0.2479	26 November 2025
1,478,718	Ordinary	$0.2482	26 November 2025
6,655,000	Ordinary	$0.0845	29 November 2025
350,000	Ordinary	$0.0757	28 February 2026
1,400,000	Ordinary	$0.0397	27 February 2027
50,000	Ordinary	$0.0200	25 August 2027
11,025,000	Ordinary	$0.0200	22 November 2027
662,500	Ordinary	$0.0200	26 February 2028
757,195	Ordinary	$0.0183	20 November 2025
226,951,398	Ordinary	$0.0100	3 June 2028

The holders of these options do not have the right to participate in any share issue of the Group without first exercising the options in accordance with the terms of any such share issue.

Performance Rights under option as at the date of this report

Number of performance rights	Class of shares	Exercise price of option	Expiry date of options
1,396,999	Ordinary	0.0000	4 December 2028
1,041,788	Ordinary	0.0000	6 December 2028

Indemnity and insurance of officers and auditors

During the financial year, the Group paid a premium in respect of a contract that insures the Directors of the Group (as named above), the company secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Meetings of Directors

The number of meetings of the Group's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2025, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee[1]		Audit and Risk Committee[1]	
	Attended	Held	Attended	Held	Attended	Held
Dr Timothy Oldham	11	11	1	1	2	2
Dr Paul MacLeman	11	11	1	1	2	2
Dr Robert Peach	1	2	-	-	1	1
Dr David Fuller	10	11	1	1	2	2
Ms Michelle Burke	9	9	1	1	1	1
Mr Iain Ross	9	9	1	1	1	1

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

[1]All non-executive directors are invited to attend all committee meetings regardless of committee membership. Only committee members are entitled to vote on resolutions of the committees.

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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.

Operating and financial review

1. Summary of principal activities and purpose

AdAlta Ltd (**ASX:1AD**) (**AdAlta** or **the Company**) is a clinical stage biotechnology company. The principal business is the discovery and development of next generation cell and protein-based therapeutics. Current programs address the need for effective cellular immunotherapies for the treatment of solid cancers and the need for more effective therapies for fibrotic diseases such as Idiopathic Pulmonary Fibrosis.

AdAlta creates value by in-licensing or acquiring clinical stage, highly differentiated T cell immunotherapies for solid cancers from the “East” (Asia) and advancing their development for global markets by establishing manufacturing facilities from which “Western” markets can be supplied and then conducting first clinical trials under “Western” regulatory oversight (typically USA FDA). This research and development is conducted in Australia. AdAlta’s management of these products makes them more valuable to larger biopharmaceutical companies by generating confirmatory clinical data in non-Asian patients, securing a scalable supply chain and eliminating transactional and technology transfer complexity.

AdAlta has previously created value by discovering and developing novel protein-based therapeutics using its i-body® platform to address drug targets that have been intractable to other methods. The most significant of these are AD-214, a phase 2 ready, first in class i-body-fusion protein, taking a whole new approach to fibrotic diseases of the lung and kidney, such as the degenerative and fatal Idiopathic Pulmonary Fibrosis (**IPF**); and WD-34, a discovery stage i-body® that AdAlta believes is the first antibody-like molecule showing both high potency against malaria parasite invasion and activity against multiple strains of malaria.

The Company aims to convert this value to revenue by out-licensing its product candidates after Phase 1 clinical trials are complete to larger biopharmaceutical and biotechnology companies in return for upfront payments, further development and commercialisation milestone payments, royalties and in some cases equity in partner companies. In the case of its cell therapy programs, the revenue is shared with the Company’s in-licensing partners.

The primary focus of the FY25 year was to secure a pipeline of highly differentiated T cell immunotherapies, transition the Company’s research and development focus away from i-body® discovery to support these new therapies, and to advance partnering opportunities for AD-214 and WD-34.

2. Key FY25 results

Significantly advanced “East to West” cellular immunotherapy strategy:

- Secured exclusive access to three first in class, clinical stage, CAR-T cell therapy products from more than 10 assets reviewed under a rigorous product selection process
- Selected the two most differentiated products to advance to definitive agreements following due diligence and development planning, and commenced discussions to access additional platform technology and early stage assets with one of these
- Commenced discussions to select Australian clinical sites
- Expanded technical expertise with appointment of Kevin Lynch as Consultant Chief Medical Officer and engagement of a specialist cell and gene therapy regulatory and product development consultant

i-body® enabled assets and R&D reset:

- Ceased i-body® discovery and closed in-house laboratories to focus resources on “East to West” cellular immunotherapy strategy
- Focussed on monetising i-body®-enabled assets AD-214 and WD-34 via partnering or sale

Financing:

- Raised $2.2m million from second close of flexible institutional investment facilities from New Life Sciences Capital LLC (NLSC) and major shareholder the Meurs Group and a fully subscribed Entitlement Offer.
- Substantially reduced overhead and research operating costs as part of the transition from in-house i-body® discovery to in-licensed cellular immunotherapy development.

3. Company strategy

AdAlta is a clinical stage biotechnology business focused on the discovery and development of next generation cell and protein-based therapeutics. Current programs address the need for effective cellular immunotherapies for the treatment of solid cancers and the need for more effective therapies for fibrotic diseases such as Idiopathic Pulmonary Fibrosis.

Through its 'East to West' cellular immunotherapy strategy, the Company is integrating Asia's prowess in T cell therapy development with the efficiency and quality of Australia's clinical and manufacturing ecosystem to create a pathway connecting 'Eastern' innovation in cellular immunotherapies with 'Western' regulated markets and patients. AdAltaaims to in-license clinical stage T cell immunotherapies, establish manufacturing and complete initial US FDA compliant clinical trials in Australia and then on-license to larger biopharmaceutical companies, sharing the value created with the Company's in-licensing partners. This strategy is the key growth driver for the Company.

AdAlta has previously developed other assets using its proprietary i-body® technology for which it is now seeking partnerships intended to crystallise the value that previous R&D investment in these unique assets has created. AD-214, a phase II ready, first in class i-body-fusion protein, takes a whole new approach to fibrotic diseases of the lung and kidney, such as the degenerative and fatal Idiopathic Pulmonary Fibrosis (**IPF**). WD-34 is a discovery stage i-body® showing potential in the treatment and prevention of malaria and related diseases. AdAlta believes this is the first antibody-like molecule showing both high potency against malaria parasite invasion and activity against multiple strains of malaria.

4. 'East to West' cellular immunotherapies

Cellular immunotherapies are a new class of highly innovative therapeutics that involve engineering a patient's own immune cells in a laboratory to enable them to find and fight cancer and returning them to the patient. These highly specialised, precision medicine products are living drugs that offer potential cures for cancer in a single or limited number of doses.

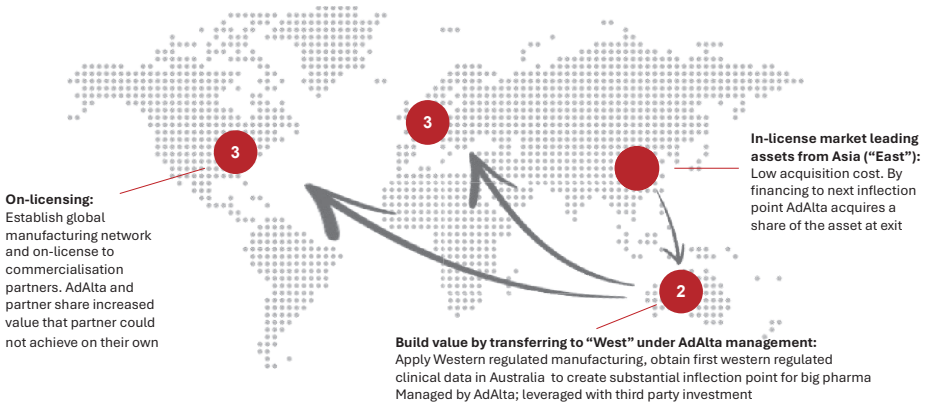
AdAlta's 'East to West' cellular immunotherapy strategy seeks to bring the transformative outcomes that cellular immunotherapies have brought to blood cancers to patients with solid tumors which represent 90% of all cancers. This much larger solid cancer market was opened during 2024 with the US Food & Drug Administration (**US FDA**) approval of the first T cell immunotherapies for solid cancers.

AdAlta aims to in-license clinical stage, highly differentiated T cell immunotherapies for solid cancers from the "East" (Asia) and provide a pathway for these groundbreaking products to access "Western" markets by establishing manufacturing and conducting first clinical trials under a USA FDA IND in Australia. AdAlta's management of these products creates value for larger biopharmaceutical companies by "Westernising" and re-risking these innovative assets, generating confirmatory clinical data and eliminating transactional and execution complexity for Western partners. This value is shared with the Company's in-licensing partners enabling them to realise higher value than they could achieve on their own. AdAlta acts as a force multiplier for Asian innovators. The business model is illustrated in Figure 1.

This strategy leverages the rich innovation in Asia in biotechnology generally and cellular therapies in particular. A significant percentage of global cellular immunotherapy developers, as well as a majority of all cellular immunotherapy clinical trials are located in Asia. Making this innovation available to Western patients remains challenging: large biopharma companies resist the opportunity costs and complexity of transacting with Asia and want clinical data in more diverse populations, and many Asian companies lack the financial and operational skills to deliver this. AdAlta's "East to West" strategy aims to provide a pathway across this gap, leveraging Australia's specific expertise in cell therapy manufacturing and clinical translation and utilising AdAlta's clinical translation skills and a unique business model.

The merits of sourcing assets and innovation from China continue to be externally validated. A report by Jefferies published in July 2025 stated that "China biotechs are reshaping the US biopharma landscape" and a Bloomberg report reported in the Australian Financial Review on 15 July 2025 described the leap in the quantity and quality of innovation in Chinese biotech as "tectonic", citing cell therapies in particular, while noting that "Chinese biotechs with ambition to sell their drugs overseas must prove that the treatment benefits can be replicated in non-Chinese patients".

Figure 1: *Valuation upside from becoming a force multiplier for Asian partners*



Using a disciplined asset selection process, AdAlta is identifying highly differentiated T cell immunotherapies designed to overcome the challenges of accessing and treating solid cancers and with potential to be significantly better than current best in class treatments. The solid cancer market is larger and less competitive than the blood cancer market. The "East to West" strategy is highly scalable, with the deep opportunity pipeline available providing a runway for AdAlta to evolve into a powerhouse in cellular immunotherapy through replicating product licensing by becoming a force multiplier for Asian partners. Interest from international investors indicates that AdAlta can own and manage these assets while leveraging significant third-party capital to finance value creation.

During the FY25 financial year, the AdAlta group signed three term sheets securing exclusive negotiation rights with two Chinese companies and one US company in respect of CAR-T cell therapy products developed in China for solid cancers. Following completion of due diligence and development planning, including successful on-site visits in China that reviewed clinical sites, manufacturing processes, raw materials and manufacturing sites, and an extensive investor engagement program AdAlta elected to prioritise the two most differentiated and highly engineered products for licensing. Extensions of time to negotiate definitive agreements have been secured and discussions in relation to the third asset have ceased. This progress demonstrates the rigor of AdAlta's asset selection process.

Definitive transaction documents are now in negotiation for both products, with finalisation of at least one, subject to financing, now targeted for the September quarter (previous forecasts were based on only one product progressing at this stage). The Company's aspirational targets are to commence technology transfer of the first asset late in 2025 or early in 2026 and for one new asset to progress into clinical trials each year from calendar year 2026 onwards.

The profile of the two prioritised products are summarised in Figure 2. Discussions in relation to the second asset have been expanded to include additional platform technologies and pipeline products.

If definitive agreements are entered into on the terms currently proposed, AdAlta will most likely make upfront and milestone payments to partners of US$2.3-3.0 million, such payments to include supply of viral vectors and other raw materials and in some cases payment for further clinical studies in Asia. AdAlta will be responsible for completing technology transfer to a suitable contract manufacturing organisation, securing a US FDA IND approval and conducting a Phase 1 clinical trial, most likely in Australia, to prepare each asset for Phase 2 studies (which could support regulatory approval depending on the results and indication). AdAlta aims to receive between 45-60% of the economic proceeds of a licensing transaction at the end of any Phase 1 study and will also aim to have the option to progress development itself or in co-operation with its partners.

Each term sheet may or may not result in a definitive license agreement and terms may vary materially as a result of due diligence findings. Full details about each asset, including licensing terms, will be communicated when definitive agreements are executed.

Figure 3 summarises AdAlta's progress to date and target deliverables in the near term.

Figure 2: Profile of lead assets for "East to West" cellular immunotherapy business

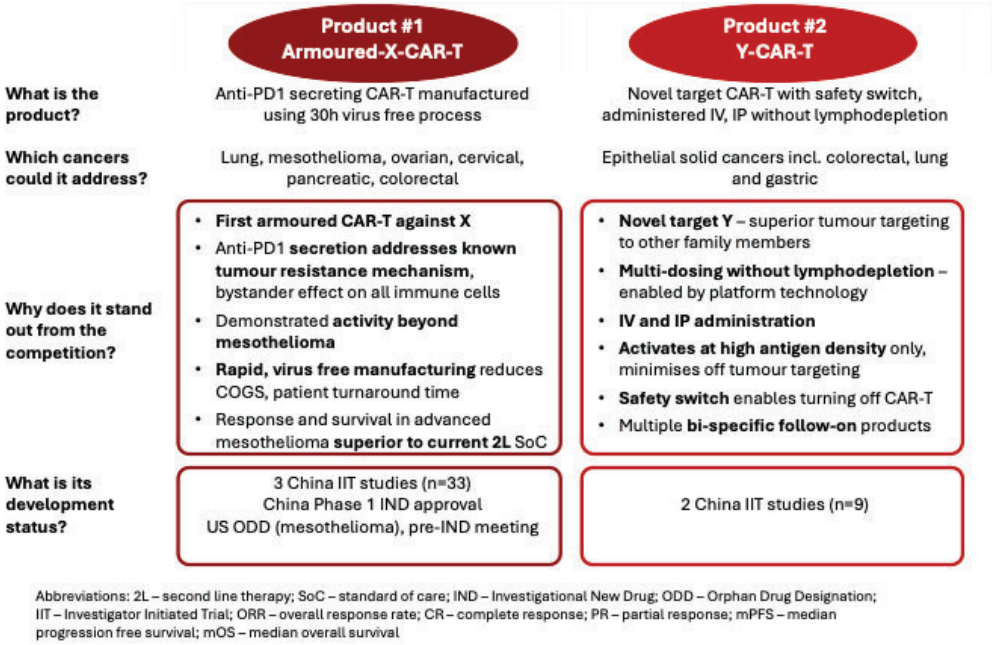
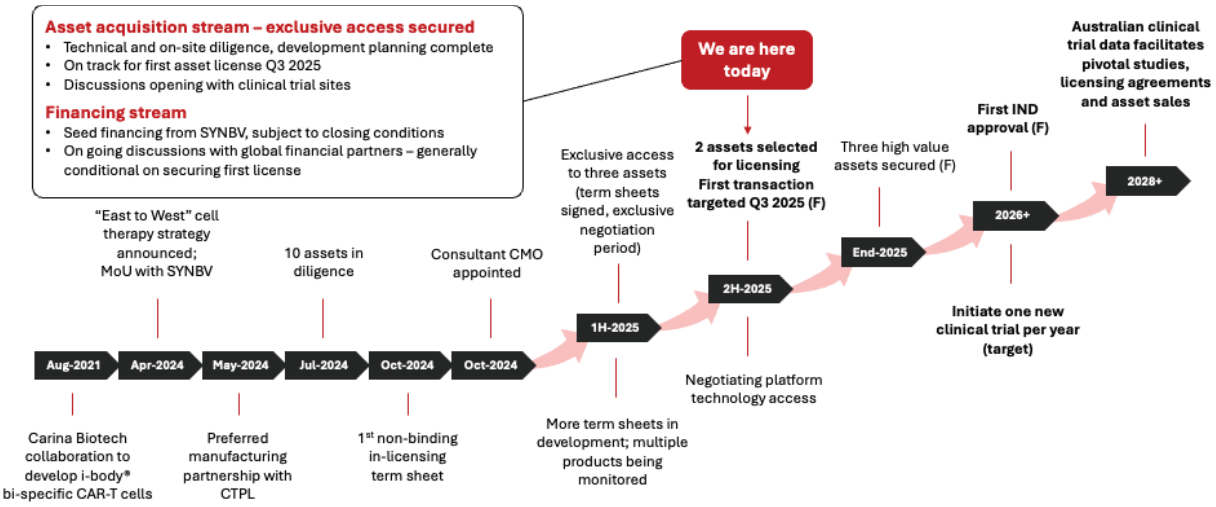


Figure 3: "East to West" strategy – progress and potential



5. A whole new approach to fibrotic disease - AD-214

AdAlta's AD-214 is a first in class, next generation protein therapeutic for the treatment of fibrotic diseases including lung fibrosis (specifically Idiopathic Pulmonary Fibrosis (**IPF**) and Interstitial Lung Disease (**ILD**)) and kidney fibrosis. The Company is focussed on securing third party partners or investors to finance progression of AD-214 into Phase II clinical studies in IPF or kidney fibrosis and development of a patient preferred subcutaneous format.

AD-214 uses AdAlta's proprietary i-body® technology to target the G-Protein Coupled Receptor (**GPCR**) known as CXCR4. AD-214 has been shown to be well tolerated in Phase 1 clinical studies, effective in multiple animal and laboratory models of lung fibrosis (for potential application in IPF, ILD) and kidney fibrosis (for potential application in FSGS, lupus nephritis, Alport Syndrome) and has patent and market exclusivity protection beyond 2036. The next phase of the development program will prioritise completing development of a market preferred subcutaneous formulation of AD-214 and generating clinical efficacy data in patients.

The Company is working with a range of strategic and financial investors with a view to out-licensing AD-214 to regional and global biopharmaceutical companies for both lung and kidney indications or financing Phase 2 trials in a potential spin-out company.

While these discussions are progressing more slowly than hoped, the Company notes that interest in fibrosis assets remains significant.

6. Transforming malaria prophylaxis and treatment – WD-34

Current therapies for malaria are limited by rapid development of resistance to small molecule drugs, cost and strain specific limitations for antibody drugs and limited efficacy of vaccines.

WD-34 is an i-body® discovered in collaboration with La Trobe University that, in what is believed to be a world first, targets a highly conserved region of a protein called AMA1 that is crucial for malaria parasites to invade human cells. WD-34 recognises AMA1 from multiple malaria (*Plasmodium*) species as well as *Babesia* and *Toxoplasma*. This pan-strain recognition combined with high potency inhibition of invasion suggests potential for a long acting, single dose prophylaxis for travellers and deployed personnel, seasonal prophylaxis for children in endemic malaria regions or a novel method of antigen generation for more effective vaccines.

AdAlta is currently applying for grant funding and fielding enquires from potential commercialisation partners to advance this product candidate.

7. Future milestones

The Company is currently focussed on advancing existing business development transactions and evaluating other strategic options for the Company and its assets. Near term milestones could include:

'East to West' cellular immunotherapies

- The Company anticipates it could be in a position to execute at least one in-licensing transaction before the end of 2025
- Closing of that transaction would be subject to completion of asset financing, currently planned in a vehicle other than the listed entity. The Company is managing a robust pipeline of potential investors including Australian, Asian and international venture capital firms to align financing with the first asset.
- Subject to financing, a further asset could potentially be licensed in the second half of 2025.

AD-214 and WD-34

- The Company continues maintain and renew a pipeline of active discussions with parties interested in licensing or co-investing in AD-214 and has received a first enquiry in relation to its WD-34 antimalarial asset. For competitive and practical reasons, AdAlta is unable to forecast when, or even if, other specific partnership agreements and the transactions that flow from them may close.

Other opportunities.

- The Board is now also reviewing other in- and out-licensing and acquisition opportunities to create shareholder value.

8. Intellectual property

Robust intellectual property protection is important for maximisation of the commercial potential of AdAlta's assets.

Each of the in-licensed cellular immunotherapy assets are protected by multiple patent families including composition of matter patents and patent applications in respect of CAR and armouring moiety sequences and other platform technologies.

AD-214 is protected by patents granted in Australia, USA, Europe, China, Japan, India, and Singapore, with applications pending in other markets. This enables protection in the 8 largest pharmaceutical markets in the world and the largest biosimilar manufacturing locations. These patents expire on 8 January 2036. New patent applications have been filed in relation to methods of treatment that if granted would offer additional protection to 2043.

Patent applications have also been lodged in relation to AdAlta's AMA1 (malaria) binding i-bodies (including WD-34).

Trademark protection for the i-body® name has now been secured in Australia and other markets.

Financial results

The loss for the consolidated entity after providing for income tax amounted to $4,502,268 (30 June 2024: $5,381,269).

The year ended 30 June 2025 operating results included the following:

	Consolidated 2025 $	Consolidated 2024 $
R&D Tax Incentive	677,010	1,737,798
Research and development expenses (external)	(1,336,015)	(2,991,706)
Research and development expenses (employee benefit expense)	(859,885)	(1,170,573)
Corporate administration expenses	(2,118,916)	(1,941,806)
Share based payment expenses	(75,010)	(205,571)
Corporate administration expenses (employee benefit expense)	(444,425)	(459,852)

Financial liquidity and capital resources

The Group began the year with $3.13 million cash at bank.

The Group received second investments of $300,000 from the Meurs Group (September 2024), and $575,895 from New Life Sciences Capital LLC (NLSC) (November 2024) under the Investment Agreements announced in April 2024.

In May 2025, the Company announced a Renounceable Rights Issue. The Renounceable Rights Issue was completed in May 2025, with the shortfall fully allocated in June 2025 raising $1.3 million, resulting in the issue of 428,093,729 new fully paid ordinary shares and 226,951,398 new listed options. The options have an exercise price of $0.01 and expire 3 June 2028.

The Group ended the year with $1.31 million cash at bank on 30 June 2025.

Corporate updates

AdAlta had one permanent employee at the end of the reporting period with a peak of 9 employees during the year. In addition it has access to a range of subject matter experts on hourly rate consulting engagements.

During the FY25 year, long term non-executive director Robert Peach retired and was replaced by Michelle Burke. Iain Ross also joined the Board for a period of time before resigning due to potential conflicts with another company he serves.

Events after the reporting period

On 12 July 2025, 41,666,667 Ordinary Shares were issued under the Investment Agreement with NLSC providing a settlement notice, converting $75,000 of Investment Amount to ordinary shares at an issue price of $0.0018.

On 12 August 2025, 41,666,667 Ordinary Shares were issued under the Investment Agreement with NLSC providing a settlement notice, converting $75,000 of Investment Amount to ordinary shares at an issue price of $0.0018.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. The strategic goals and objectives of the Company and set out in the Operating and Financial Review above.

Environment, social and governance statement

AdAlta recognises that good ESG practices protect the social and environmental assets that underpin the Company’s success.

AdAlta is in an early phase of determining an appropriate strategy for identifying and managing its ESG footprint and risks, including a formal governance model. While a governance model is being developed, the Company’s CEO is responsible for ensuring the Board has oversight of arising ESG matters.

Environmental

The Company's operations are not subject to significant environmental regulation under the Australian Commonwealth or State Law.

AdAlta's laboratories were located within the La Trobe Institute for Molecular Sciences, La Trobe University, Victoria, Australia and adopted the environmental policies and procedures of La Trobe University. The University has comprehensive sustainability and climate adaption plans in place and has set a target to become carbon neutral by 2029. Further details including targets and metrics can be found at https://www.latrobe.edu.au/sustainability. La Trobe University's procedures and permits for OH&S and solid, liquid and hazardous materials and waste storage and disposal are applied to AdAlta and the Company laboratories are audited for environmental and OH&S compliance by La Trobe University. The Company closed these laboratories during the FY25 financial year and anticipates outsourcing future research and development to other companies and institutions.

Social

Pre-clinical and clinical trials: The Company conducts *in vivo* pre-clinical and clinical studies in compliance with Australian and relevant international regulatory and ethical guidelines and requirements. By strictly adhering to these guidelines, AdAlta ensures clinical trial participant safety and minimises negative impacts on animal welfare. The Company also rigorously evaluates each pre-clinical and clinical trial to ensure that it is designed to provide actionable data that cannot be obtained any other way and which minimises the number of study subjects.

Diversity, inclusion and employee engagement: AdAlta proactively supports Science Technology Engineering and Mathematics (STEM) education by regularly sponsoring internships. These have led to the subsequent employment of interns in some instances.

The Company employed one permanent staff member at 30 June 2025 who is male. Of eight other staff employed during the year, 25% were female and 75% were born overseas. AdAlta's non-executive Board is presently 33% female. The Company is committed to achieving gender, ethnic and background diversity pending succession opportunities and consistent with objective, merit-based performance assessment. Within each level of the organisation, average female base remuneration is at least 98% of average male base remuneration. The Company offers one month paid maternity and paternity leave in addition to statutory entitlements.

Scientific and clinical community and patient engagement: AdAlta considers La Trobe's graduate and postgraduate students a part of its direct community. The Company is pleased to provide access to its intellectual property and materials and consumables funding to support student research projects and training. This has, for example, resulted in the discovery of world first pan-species high potency i-body® inhibitors of malaria parasite invasion.

The Company also supports patient advocates and clinical training in therapeutic areas related to its development programs as its means allow. During FY25, AdAlta provided sponsorship for the Lung Foundation of Australia's Centre for Research Excellence in Pulmonary Fibrosis CREATE Program Pulmonary Fibrosis Researcher Development weekend.

Governance

The Company's Corporate Governance Statement and Policies can be found on its website at:
adalta.com.au/investors/corporate-governance

AdAlta is committed to the highest standard of honesty and integrity in all its interactions, including interactions with health care professionals.

The Company's commitment to the highest ethical standards includes strict compliance with applicable anti-bribery and corruption laws in Australia and overseas. This commitment is reflected in the Company's Anti-Bribery, Corruption and Fraud Policy, which is published on the Company's website.

As the Company increases its reliance on in-licensed intellectual property and research results generated in international markets it is developing new governance principles to manage both the ethical conduct and integrity of such studies as well as the complex and rapidly evolving international trade environment.

Business Risks

1.1 General

The Company's activities are subject to a number of risks which may impact future financial performance and the price at which the Company's securities may trade. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, others are outside the Company's control and cannot be mitigated. Therefore, investors who acquire securities in the Company may be exposed to a number of risks. Broadly, these risks can be classified as risks that are general to investing in trading companies and risks specific to an investment in the Company.

This Section sets out the identified major risks associated with investing in AdAlta. This list is not exhaustive, and investors should review all the Company's announcements, conduct their own evaluation, have regard to their own investment objectives and financial circumstances and should consider seeking appropriate independent investment advice before making an investment decision in the securities of the Company.

1.1 Risk factors specific to the Company

(a) Business risks

Prospective investors should consider the various risks and difficulties frequently encountered by companies early in their commercialisation, particularly companies that develop and sell biopharmaceuticals. These risks include AdAlta's ability to: (a) implement and execute its business strategy; (b) develop its products; (c) identify and secure capable commercialisation partners on profitable terms; (d) obtain regulatory and reimbursement approval for its products (itself or through partners); (e) establish cost competitive and reliable supply chains for its products; (f) manage expanding operations; and (g) respond effectively to competitive pressures and developments.

In particular, to generate a return on its investment in research and development of its products, the intention of the Company is to secure agreements with other biopharmaceutical companies to further develop and commercialise its products. There is no guarantee that AdAlta will be able to secure such agreements or the terms on which they may be secured in which case the Company may need to secure ongoing development financing from other sources and delay or halt development of certain product development programs.

(b) Business development risks

To execute its growth strategy, the Group needs to be able to successfully in-license suitable assets. While it has agreed terms sheets for several assets, these are non-binding and subject to conditions. Each term sheet may or may not result in a definitive license agreement and terms may vary materially from term sheets as a result of due diligence findings. Definitive licensing agreements may contain conditions relating to financing, development project milestones and timelines that the Group may not be able to meet.

To realise the value of its existing assets, the Group needs to be able to successfully out-license its assets. There is no guarantee as to the timelines or financial terms of such transactions or even that any transaction will eventuate.

(c) Costs and financing of development programs

The development programs required to further develop the Group's assets and progress its strategy are not fully funded. The Group has limited financial resources and no continuous revenue generating products today. Therefore, it is dependent on being able to transact its assets and continue to raise capital to continue operations and develop its assets.

Once financed, the development programs rely on numerous work items. The costs of these items cannot be confirmed until each item is requested from the supplier and the work scope and pricing agreed. There is a risk that the work items in the proposed development program may cost more than that budgeted for, or may require more drug substance than that budgeted for (and as a result the Group may need to manufacture additional drug substance at significant cost and delay), or may require additional studies to meet regulatory or other requirements and as a result the Group may need to obtain additional funds to complete the programs.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Group. As a result, the Group's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Group from commercialising its intellectual property and generating revenues.

(d) Regulatory risks

AdAlta's products and intended products are subject to various laws and regulations including but not limited to regulatory approval and quality compliance. Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance.

Before the Group can conduct the clinical studies necessary to develop its assets it must obtain necessary approvals from Human Research Ethics Committees and regulatory authorities. Before the Group or its commercialisation partners can undertake further clinical trials or market and sell its products, the products must be demonstrated to be safe and effective and of suitable quality and must obtain necessary approvals from regulatory authorities (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration). Such approval may take longer than anticipated, require additional trials to be undertaken or may not be provided at all.

As a result, the Group may require additional funding to secure the regulatory pathway. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Group. As a result, the Group's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Group from commercialising its intellectual property and generating revenues.

There is no guarantee that compliance will be achieved to support the Group's commercialisation plans. Regular reviews by regulatory bodies are also a feature of the industry in which AdAlta, and its partners, contract service providers and suppliers, operates. Changes in laws and regulations (including interpretation and enforcement) could also adversely affect the Group's ability to meet compliance costs and to market, distribute and sell its biopharmaceutical products. It is not possible to predict the likelihood, nature or extent of changes in government regulation that may arise.

(e) Australian Government R&D incentives may change

The Group's development program includes anticipated receipt of tax refunds based on the Group's actual research and development spending. Certain loan facilities are secured against these receipts. If the status of the Group or its connected entities should change, or the Australian Federal Government changes its R&D Tax Incentive (RDTI) program in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Group may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Group. As a result, the Group's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Group from commercialising its intellectual property and generating revenues.

(f) Clinical trial risk

Moving from discovery to development and subsequent commercialisation typically involves multiple and progressively larger clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success can be impacted by a number of factors including obtaining ethics approval, incomplete or slower than expected recruitment of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. Clinical trial protocols routinely provide discretion to the principal investigator and safety management committee to modify dose escalation schedules, cohort sizes or other factors in response to observations during the trial. These factors can impact the size, cost and duration of a clinical trial. There is no guarantee that any current or future trials will demonstrate that the Group's products are successful.

Failure or material delay at any point of the clinical trial process will reduce the Group's ability to commercialise its intellectual property and generate revenues.

(g) Risk of product development and manufacturing

The Group's products, including AD-214, WD-34 and its CAR-T cell therapies, have not yet been produced on a scale sufficient for large scale clinical trials, multiple simultaneous trials or commercial production. The development of formulations and packaging for the Group's products, including AD-214, are not yet complete. The manufacture of patient specific cellular immunotherapies such as CAR-T therapies pose particular cost and complexity challenges at all stages of development and commercialisation. Process development for these products is incomplete. If the Group is unable to manufacture products in sufficient quantities or in suitable formulations and presentations or at an appropriate cost level, it may not be able to conduct appropriate clinical tests to prove its product. Further, it may be unable to produce the products at a price point which is profitable or in a format sufficient convenient for patients and healthcare professionals to adopt in the context of commercial sales of the product. The Group's ability to implement its business plan and partner its assets would be significantly hindered such this failure and the Group may be unable to generate a profit, even if its drug development activity is successful.

(h) Risk in drug development

The Group has limited history in drug development. Accordingly, the Group cannot guarantee that the i-body platform, its drug discovery, pre-clinical or clinical programs will result in the development of any products, or even if it does that the products will be approved or commercialised successfully. The Group's ability to generate revenues or profits, may therefore be adversely affected by this lack of experience.

The development and commercialisation of pharmaceutical products is subject to the inherent risk of failure, including the possibility that products may:

(1) be found to be unsafe or ineffective;
(2) fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;
(3) fail to receive necessary regulatory approvals;
(4) be difficult or impossible to manufacture on the necessary scale;
(5) be uneconomical to market or otherwise not commercially exploitable;
(6) fail to be developed prior to the successful marketing of a similar product by competitors;
(7) compete with products marketed by third parties that are superior; and
(8) fail to achieve the support or acceptance of physicians, patients or the medical community.

(i) Intellectual property

The Group's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

The Group relies on its ability to develop and commercialise intellectual property. A failure to protect its intellectual property successfully may lead to a loss of opportunities and adversely impact on AdAlta's operating results and financial position.

Although the Group will seek to protect its intellectual property, there can be no assurance that these measures will be sufficient. The Group gives no guarantee that further development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into further products that are commercially exploitable.

There can be no assurance that any patents the Group may own or control or licence now and, in the future, will afford the Group a competitive advantage, commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial application. Any challenge to the Group's intellectual property position would divert the limited resources of the Group away from its primary development program and may result in the Group requiring additional funds to complete that program. It may also result in the Group being unable to fully utilise its intellectual property portfolio or being required to in-licence certain intellectual property in order to be able to conduct its development program in a manner which will allow commercialisation of its products, and which may reduce the profits available from such activities.

There is always a risk of third parties claiming involvement in technological and medical discoveries. The granting of a patent does not guarantee that the rights of others are not infringed or that a competitor will not develop competing intellectual property that circumvents such patents. The patent position of pharmaceutical companies can be highly uncertain and frequently involve complex legal and scientific evaluation. The breadth of claims allowed in pharmaceutical patents and their enforceability cannot be predicted.

(j) Data integrity

The Company is increasingly reliant on pre-clinical and clinical studies conducted in multiple offshore jurisdictions with different regulatory and ethical standards and where English may not be the principle language of business or science. While the Company undertakes extensive due diligence and quality assurance tests on data and materials originating outside Australia (including on-site inspections) and incorporates relevant standards into contracts, there is always a risk that data and studies that the Company is relying on to support regulatory approvals or out-licensing transactions does not meet the standards of reproducibility, integrity or ethical collection that is required by regulatory authorities or commercial partners in other jurisdictions. This could results in the Company failing to obtain regulatory approvals, failing to be able to secure commercialisation partners, or relying on incorrect data to make product development decisions that could result in additional or unnecessary expenses or expose the Company to litigation or other sanctions.

(k) Reliance on key personnel

Due to the specialised nature of the Group's business and its size, its ability to commercialise its products and maintain its research program will depend in part on its ability to attract and retain suitably qualified management, scientists, research personnel and consultants. The Group also faces competition to employ and retain the services of such individuals.

There can be no assurance that the Group will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationship with key scientific organisations and contractors.

The loss of key scientific and management personnel, and the associated corporate knowledge of those people could have a detrimental impact on the Group, and this may adversely affect the Group by impeding the achievement of its research, product development and commercialisation objectives.

(l) Competitive risk

There are a number of companies with drugs and cell therapies at various stages of development for the treatment of IPF, other fibrotic diseases and for solid cancers.

There are also a number of companies developing cellular immunotherapies similar to those the Group is developing and a number of companies competing to license technology and products originating in Asia and especially China.

The Group's potential competitors may include companies with substantially greater resources and access to more markets. Therefore, competitors may succeed in developing products that are safe, more effective or otherwise commercially superior than those being developed by AdAlta or which could render the Group's products obsolete and/or otherwise uncompetitive. The Group's ability to implement its business plan would be significantly hindered by this and the Group may be unable to generate revenues or profits, even if its drug development activity is successful.

(m) Currency risk

Expenditure in overseas jurisdictions is subject to the risk of fluctuations in foreign exchange. The Group's payment obligations to many of its third-party service providers, including its manufacturer and certain pre-clinical testing are expected to be in foreign currency. The Group intends to forward purchase foreign currency against known near term contractual obligations to aid in financial planning. If there are adverse currency fluctuations against the Australian dollar, there is a risk that the work items in any proposed development program may cost more than that budgeted for and as a result the Group may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Group. As a result, the Group's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Group from commercialising its intellectual property and generating revenues.

(n) Sufficiency of funding

AdAlta is currently not profitable and does not expect to become profitable until after achieving successful commercialisation of its products to allow sufficient sales revenue to fund on-going company operations. The Group does not have sufficient capital from the Offer in June 2025 to implement licensing agreements and fully commercialise any of its programs or strategies. Accordingly, the Group will either have to raise additional capital through further offers or asset financing or rely on securing grants or commercial transactions to further its development programs.

The Group's ability to raise further capital (equity or debt) or secure grants or a commercial (including licensing) transaction within an acceptable time, or a sufficient amount and on terms acceptable to it will vary according to a number of factors, including the success of current projects, the result of research and development and other cyclical factors affecting the Group and financial and share markets generally. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Group. As a result, the Group's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Group from commercialising its intellectual property and generating revenues.

(o) Product liability risk

The process of securing marketing approval of a new product is both costly and time consuming. The intention of the Group is to out-license product candidates prior to completion of clinical trials and obtaining of marketing authorisations from relevant regulatory authorities. The conduct of clinical trials will expose the Group to product liability risks and future sales of its products may, and if the Company decides to develop a product candidate and take it to market directly will, expose the Group to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

The Group intends to obtain and maintain adequate levels of insurance to cover product liability risks. Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Group . A product liability claim may give rise to significant liabilities as well as damage the Group's reputation.

(p) Third party service provider risk

The Group will conduct much of its development and manufacturing activities through a series of contractual relationships with third parties. All contracts, including those entered into by the Group, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. This may adversely affect the Group by impeding the achievement of its research, product development and commercialisation objectives.

(q) Healthcare insurers and reimbursement

In many markets, treatment volumes are likely to be influenced by the availability and amounts of reimbursement of patients' medical expenses by third party payer organisations including government agencies, private health care insurers and other health care payers. There is no assurance that reimbursement of any products or services developed and commercialised by the Group will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Group or its commercialisation partners to sell products on a profitable basis.

1.3 General Risks

A number of factors which are outside of the Company's control may significantly impact on the Company, its performance and the value of New Shares. These factors include:

(a) Investment and Economic Risk

Economic factors both in Australia and internationally beyond the control of the Company, such as interest rates, inflation, exchange rates, taxation, changes in government policy and legislation, may negatively impact on the operational performance of the Company.
The Company's revenues, expenses and cash flows could be negatively affected by any of these factors, which in turn may affect the value of New Shares and New Options.

No assurances can be made that the Company's performance will not be adversely affected by any such market fluctuations or factors. None of the Company or its Directors or any other person guarantees the performance of the Company or the market price at which its Shares trade. The New Shares and New Options issued under the Offer carry no guarantee in respect of profitability, dividends, or return of capital. The value of the New Shares will be subject to a range of factors beyond the control of the Company and its Directors including the demand and availability of Shares.

As at the date of this report, the outstanding subscription amount under two investment agreements announced on 29 April 2024 for which fully paid ordinary shares (**Placement Shares**) in the Company are yet to issue is $1.34 million. The Company will have the right (but not an obligation) to opt to repay the outstanding subscription amount by making a payment equal to the market value of the shares that would have otherwise been issued, instead of issuing shares to the investors. If the Company does not exercise that right, the Company will issue Placement Shares when requested by the investors, within thirty-six months of the date of the related subscriptions. The number of shares so issued by the Company will be determined by applying the Purchase Price, being the price equal to the average of the five daily volume-weighted average prices selected by the investors during the 20 consecutive trading days immediately prior to the date of the relevant investor's notice to issue Placement Shares less a 10% discount, to the applicable subscription amount, subject to the Floor Price of $0.02. If the Purchase Price formula would result in a price that is less than the Floor Price, the Company may forego issuing shares and instead repay the applicable subscription amount in cash (with a 12% premium), subject to the investors' right to receive Placement Shares at the Floor Price in lieu of such cash repayment. See the Company's ASX announcement dated 29 April 2024 for a description of the terms of the investment agreements.

An investment in the Company's Securities should be considered speculative.

(b) Government policy and international trade

The Company's capacity to conduct its operations, as well as industry profitability generally, can be affected by changes in government policy which may be beyond the control of the Company. These can include:
(1) introduction of trade protection mechanisms by governments without notice. These can include tariffs, regulatory restrictions (such as non-acceptance of data originating in certain countries or settings for regulatory purposes), limitations on supply of critical materials from facilities located in certain jurisdictions;
(2) changes in regulatory settings specifying the regulatory data requirements, standards or regulatory pathways required to obtain regulatory or reimbursement approvals. These can increase or decrease the cost and time required to obtain such approvals and the effects could be unequally advantageous or disadvantageous for AdAlta or its competitors or partners; and
(3) changes in resourcing and priorities of government agencies that can increase the time taken to obtain regulatory advice or approvals or reduce the availability of grant funding.

The Company intends to do business with entities based in China and the USA and notes the increased levels of tariff and non-tariff barriers and other trade and business restrictions presently being imposed on short notice by these and other countries and the significant changes being made to the staffing and priorities of the US FDA.

In addition, AdAlta's reliance on partners and vendors in other countries for access to intellectual property and raw materials increases the risk that contractual agreements may not be able to be enforced due to jurisdictional differences. This could result in increased cost, major disruptions or inability to protect its business.

(c) Future capital needs and additional funding

The future capital requirements of the Company will depend on many factors. There can be no guarantee that the Company will be able to raise additional capital to meet future funding requirements.

Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

(d) Taxation risk

Variations in the taxation laws of Australia and other countries in which the Company operates could impact the Company's financial performance. Interpretation of taxation law could also change, leading to a change in taxation treatment of investments or activities.

(e) Changes in regulatory environment

Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact the operating and financial performance and cash flows of the Company.

1.4 Other Risk Factors

Other risk factors include those normally found in conducting business including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the Company's business or trade.

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or the Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the Company's financial performance and the value of the Company's securities.

Remuneration report (audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of AdAlta Limited's key management personnel for the financial year ended 30 June 2025 in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Group performance
- details of remuneration
- additional disclosures relating to key management personnel

Key management personnel

The Directors and other key management personnel of the Group during the financial year were:

Non-Executive Directors	Position
Dr Paul MacLeman	Non-Executive Chairman
Dr Robert Peach [2]	Non-Executive Director
Dr David Fuller	Non-Executive Director
Ms Michelle Burke[1]	Non-Executive Director
Mr Iain Ross [1,3]	Non-Executive Director

Executive Directors	Position
Dr Timothy Oldham	Chief Executive Officer and Managing Director

[1] Appointed 20 November 2024
[2] Resigned 20 November 2024
[3] Resigned 30 June 2025

The named persons held their current position for the whole of the financial year and since the end of the financial year unless otherwise indicated.

Remuneration policy

The Remuneration and Nominations Committee is currently responsible for determining and reviewing compensation arrangements for key management personnel. All recommendations of the Remuneration and Nominations Committee require Board approval for adoption. The Group has a Remuneration Committee, which consists of Michelle Burke (Chair of Remuneration Committee) ,Paul MacLeman and David Fuller. Robert Peach and Iain Ross were members until they retired. The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Group.

Non-Executive Director remuneration

Non-Executive Directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity. Non-Executive Directors are also eligible to receive equity grants as a component of fees under share and option schemes generally made in accordance with thresholds and on terms set in plans approved by shareholders.

Shareholders' approval must be obtained in relation to the overall limit set for the Non-Executive Directors' fees. The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $350,000 per annum. The Directors set the individual Non-Executive Director fees within the limit approved by shareholders. Non-executive Directors are not provided with retirement benefits.

Executive Director and Executive remuneration

Executive Directors and Executives receive a base remuneration, which is at market rates, and may be entitled to performance based remuneration, which is determined on an annual basis. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Group and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and expert advice.

The Board's remuneration policy reflects its obligation to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles are:

(a) remuneration reflects the competitive market in which the Group operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) Salary – executives receive a fixed sum payable monthly in cash plus superannuation at 11.5% of salary in FY25 (increasing to 12% in FY26) on salary up to the statutory maximum superannuation contribution base;
(b) Cash at risk component (short term incentive) – executives may receive a variable cash sum up to a maximum percentage of salary that is payable annually at the end of each financial year on the basis of performance against goals set at the beginning of each financial year (as assessed by the Board);
(c) Equity component (long term incentive) – executives may participate, at the discretion of the board, in share and option schemes generally made in accordance with thresholds and on terms set in plans approved by shareholders and otherwise at the discretion of the Board. In exceptional circumstances the Board may, subject to any necessary shareholder approval, issue shares and options to executives outside of approved schemes. Long term incentive awards are typically time limited and are made on a case by case basis having regard to the overall number, value and remaining term of unexpired incentive securities held by the executive, benchmarking and performance; and
(d) Other benefits – executives may, if deemed appropriate by the Board, be provided with a fully expensed mobile phone and other forms of remuneration.

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors or other key management personnel during the financial year.

Relationship between the remuneration policy and Group performance

The Board considers that at this time, evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or per Group comparison are not relevant due to the early stage of development of the Group's assets as outlined in the Directors' report. Remuneration is structured to align short term incentives with the achievement of operational objectives that meaningfully progress the development of the Group's assets each year and to align long term incentives with increasing shareholder value as a result of developing and increasing those assets over the mid-term.

Details of remuneration

Remuneration is reported as Earned Remuneration and Realised Remuneration.

Earned Remuneration is the accounting value of remuneration awarded in a period as recorded in the financial statements of the Group. This includes cash payments during the period plus the value of long term incentives awarded and expensed during the period which have an accounting value that may not be immediately realisable by the recipient, for example because options have an exercise price that is equal to or below the current share price.

Realised Remuneration value is the value of remuneration realised or becoming realisable by the recipient during the period. This includes cash payments during the period plus the value of long term incentive payments from the current or any prior period that have become immediately realisable by the recipient during the period. This will include, for example, the value of shares issued on the exercise of options less the exercise price (as measured at the time of exercise).

Key terms of employment contracts

Arrangements with Directors:

Position	Annual Salary
Non-Executive Chair	$75,000
Non-Executive Directors	$50,000

The Group has entered into consulting agreements with all Directors. These agreements can be terminated by either party by giving one month's notice. Further, continuation of appointment is subject to re-election at a forthcoming AGM.

No additional fees are payable to Directors for their involvement in Board committees.

On appointment to the Board, all Non-Executive Directors are required to sign a letter of appointment with the Group. The letter of appointment summarises the Board policies and terms, including compensation relevant to the office or Director.

In April 2025 the Group suspended all cash payments of salary and wages to Non-Executive Directors, until the completion of strategic transaction.

The Board approved the Remuneration and Nominations Committee recommendation to increase Tim Oldham's salary effective 1 July 2024 from $330,200 plus statutory superannuation to $341,970 plus statutory superannuation, all other terms of employment remain consistent.

In April 2025 the Group also suspended all cash payments to the CEO, noting May and June 2025 salary was used to participate in the renounceable rights issue and no further cash is owing.

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits		Post-employment benefits	Total cash payments	Share-based payments	Total earned remuneration		
							% remuneration paid in	
	Cash salary and fees	Other	Super-annuation		Equity-settled		Cash	Equity
2025	$		$	$	$	$	%	%
Non-Executive Directors:								
Dr Paul MacLeman[1]	69,198	-	5,802	75,000	15,273	90,272	83	17
Dr Robert Peach[3]	19,747	-	-	19,747	9,545	29,292	67	33
Dr David Fuller[1]	50,000	-	-	50,000	9,545	59,545	84	16
Ms Michelle Burke[1,2]	28,807	-	1,875	30,682	-	30,682	100	-
Mr Iain Ross[1,2,4]	30,682	-	-	30,682	-	30,682	100	-
Executive Directors								
Dr Timothy Oldham	341,970	-	29,932	371,902	34,333	406,235	92	8
	540,404	-	37,609	578,013	68,696	646,708		

[1] As announced on 30 April 2025, Board fees were suspended. A total of $56,250 in Non-Executive Director fees are included in the reported totals, comprising:
Paul MacLeman: $18,750
Iain Ross: $12,500
David Fuller: $12,500
Michelle Burke: $12,500
These amounts remain unpaid and are deferred until the completion of a strategic transaction.
[2] Appointed 20 November 2024.
[3] Resigned 20 November 2024.
[4] Resigned 30 June 2025.
[5] As announced on 30 April 2025, CEO salary was suspended. A total of $56,995 representing May and June 2025 CEO salary is included in the reported totals. This was paid on the condition (subsequently fulfilled) that the net salary amount after tax was reinvested in the Renounceable Rights Offer.

	Short-term benefits		Post-employment benefits	Total cash payments	Share-based payments	Total earned remuneration		
							% remuneration paid in	
	Cash salary and fees	Other[1]	Super-annuation		Equity-settled		Cash	Equity
2024	$		$	$	$	$	%	%
Non-Executive Directors:								
Dr Paul MacLeman	69,198	-	7,435	75,000	29,918	104,918	71	29
Dr Robert Peach	19,747	-	-	19,747	15,340	65,340	77	23
Dr David Fuller	50,000	-	-	50,000	15,340	65,340	77	23
Executive Directors								
Dr Timothy Oldham	330,200	29,058	27,399	386,657	36,590	423,247	91	9
	497,765	29,058	34,834	561,657	97,188	658,845		

[1]Bonus accrued for in respect to achievement of short term incentives in the period ending 30 June 2024 of $29,058. Bonus was remunerated by the issuance of performance rights following shareholder approval at the 2024 Annual General Meeting.

Additional disclosures relating to key management personnel

Fully paid ordinary shares of AdAlta Limited

2025	Balance at 1 July Number	Balance held on appointment Number	Additions Number	Balance held on resignation Number	Balance at 30 June Number
Dr. Timothy Oldham	1,601,750	-	11,766,666	-	13,368,416
Dr Paul MacLeman	472,970	-	71,072	-	544,042
Dr Robert Peach[2]	1,453,126	-	-	(1,453,126)	-
Dr David Fuller	294,936	-	196,714	-	491,650
Ms Michelle Burke[1]	-	-	-	-	-
Mr Iain Ross[1,3]	-	2,880,000	1,920,000	(4,800,000)	-

[1] Appointed 20 November 2024.
[2] Resigned 20 November 2024.
[3] Resigned 30 June 2025.

2024	Balance at 1 July Number	Balance held on appointment Number	Additions Number	Balance held on resignation Number	Balance at 30 June Number
Dr Timothy Oldham	1,101,750	-	500,000	-	1,601,750
Dr Paul MacLeman	472,970	-	-	-	472,970
Dr Robert Peach	1,453,126	-	-	-	1,453,126
Dr David Fuller	294,936	-	-	-	294,936

Share Options of AdAlta Limited

2025	Balance at 1 July	Granted as compensation	Cancelled/ Expired	Net other change[4]	Balance on resignation	Balance at 30 June	Vested and exercisable	Options vested during year
	Number	Number	Number	Number	Number	Number	Number	Number
Dr Timothy Oldham	11,729,060	757,195	-	5,833,333	-	18,319,588	12,462,393	8,633,333
Dr Paul MacLeman	5,855,000	-	-	35,536	-	5,890,536	4,490,536	1,435,536
Dr Robert Peach[2]	2,950,000	-	-	-	(2,950,000)	-	-	875,000
Dr David Fuller	2,950,000	-	-	98,312	-	3,048,312	2,173,312	973,312
Ms Michelle Burke[1]	-	-	-	-	-	-	-	-
Mr Iain Ross [1,3]	-	-	-	960,000	(960,000)	-	-	-

[1] Appointed 20 November 2024.
[2] Resigned 20 November 2024.
[3] Resigned 30 June 2025.
[4]Options issued as a result of participation in Renounceable Rights Issue undertaken during the period.

For the options granted as compensation during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate
20/11/2024	20/11/2028	$0.019	$0.019	73.32%	0%	4.35%

2024	Balance at 1 July	Granted as compensation	Cancelled/ Expired	Net other change[1]	Balance at 30 June	Vested and exercisable	Options vested during year
	Number	Number	Number	Number	Number	Number	Number
Dr Timothy Oldham	6,429,060	5,600,000	(800,000)	500,000	11,729,060	6,629,060	600,000
Dr Paul MacLeman	3,055,000	2,800,000	-	-	5,855,000	3,055,000	1,527,500
Dr Robert Peach	1,200,000	1,750,000	-	-	2,950,000	1,200,000	600,000
Dr David Fuller	1,242,134	1,750,000	(42,134)	-	2,950,000	1,200,000	600,000

[1]Options issued as a result of participation in the Rights Offer undertaken during the period.

Performance Rights of AdAlta Limited

2025	Balance at 1 July Number	Balance held on appointment Number	Balance held on resignation Number	Additions Number[4]	Balance at 30 June Number
Dr. Timothy Oldham	-	-	-	1,396,999	1,396,999
Dr Paul MacLeman	-	-	-	-	-
Dr Robert Peach [2]	-	-	-	-	-
Dr David Fuller	-	-	-	-	-
Ms Michelle Burke [1]	-	-	-	-	-
Mr Iain Ross[1,3]	-	-	-	-	-

[1] Appointed 20 November 2024.
[2] Resigned 20 November 2024.
[3] Resigned 30 June 2025.
[4] Approved by Shareholders at 2024 AGM as STI Performance Rights.

For the performance rights granted as compensation during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate
25/11/2024	25/11/2028	$0.017	$0.000	73.71%	0%	4.35%

Voting and comments made at the Group's 2024 Annual General Meeting (AGM).

At the Group's 2025 Annual General Meeting (AGM), a resolution to adopt the 2024 Remuneration Report was put to the vote and greater than 98% of the votes cast were cast in favour of the resolution.

No comments were made at the AGM by shareholders in relation to the Remuneration Report.

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution made pursuant to s.298(2) of the *Corporations Act 2001.*

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Paul MacLeman
Chairman

27 August 2025
Melbourne

DRY KIRKNESS

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2025, 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 audit; and

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

This declaration is in respect of AdAlta Limited and the entities it controlled during the year.

DRY KIRKNESS (AUDIT) PTY LTD

ROBERT HALL CA
Director

Perth
Date: 27 August 2025

AdAlta Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2025

	Note	Consolidated 2025 $	Consolidated 2024 $
Revenue and other income			
Interest received		18,644	46,725
Other revenue	3	677,010	1,737,798
Total revenue and other income		695,654	1,784,523
Expenses			
Research and development expenses (external)		(1,336,015)	(2,991,706)
Research and development expenses (Employee benefit expense)		(859,885)	(1,170,573)
Corporate and administration (external)		(2,118,916)	(1,941,806)
Corporate and admin (Employee benefit expense)		(444,425)	(459,852)
Patent and legal costs		(219,514)	(229,883)
Finance costs		(62,348)	(114,999)
Share based payment expenses	17	(75,010)	(205,571)
Depreciation and amortisation expense	9,10	(85,231)	(62,969)
Net foreign exchange (loss) / gain		3,422	11,567
Total expenses		(5,197,922)	(7,165,792)
Loss before income tax expense		(4,502,268)	(5,381,269)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of AdAlta Limited		(4,502,268)	(5,381,269)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of AdAlta Limited		(4,502,268)	(5,381,269)
		Cents	**Cents**
Basic earnings per share	5	(0.69)	(1.09)
Diluted earnings per share	5	(0.69)	(1.09)

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 30 June 2025

	Note	Consolidated 2025 $	Consolidated 2024 $
Assets			
Current assets			
Cash and cash equivalents	6	1,305,594	3,133,449
Trade and other receivables	7	835,969	1,951,186
Other current assets	8	-	206,282
Total current assets		2,141,563	5,290,917
Non-current assets			
Property, plant and equipment	9	-	76,543
Right-of-use asset	10	-	205,541
Total non-current assets		-	282,084
Total assets		2,141,563	5,573,001
Liabilities			
Current liabilities			
Trade and other payables	11	821,668	551,010
Borrowings	12	446,785	1,405,195
Lease liabilities	13	-	119,736
Provisions	14	68,276	144,685
Total current liabilities		1,336,729	2,220,626
Non-current liabilities			
Lease liabilities	13	-	90,340
Provisions	14	27,184	31,589
Financial liabilities	15	1,375,894	1,200,000
Total non-current liabilities		1,403,078	1,321,929
Total liabilities		2,739,807	3,542,555
Net assets/(liabilities)		(598,244)	2,030,446
Equity			
Issued capital	16	49,197,823	47,399,255
Reserves	17	2,226,438	2,151,428
Accumulated losses		(52,022,505)	(47,520,237)
Total equity/(deficiency)		(598,244)	2,030,446

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

AdAlta Limited
Statement of changes in equity
For the year ended 30 June 2025

Consolidated	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 year	-	-	(5,381,269)	(5,381,269)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,381,269)	(5,381,269)
Transactions with owners in their capacity as owners:				
Share-based payments	-	205,571	-	205,571
Issue of ordinary shares	3,680,169	-	-	3,680,169
Share issue costs	(332,562)	72,000	-	(260,562)
Exercise of options	1,876,583	-	-	1,876,583
Balance at 30 June 2024	47,399,255	2,151,428	(47,520,237)	2,030,446

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2024	47,399,255	2,151,428	(47,520,237)	2,030,446
Loss after income tax expense for the year	-	-	(4,502,268)	(4,502,268)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,502,268)	(4,502,268)
Transactions with owners in their capacity as owners:				
Share-based payments	-	75,010	-	75,010
Issue of ordinary shares via conversion of financial liabilities	700,000	-	-	700,000
Issue of ordinary shares	1,284,282	-	-	1,284,282
Share issue costs	(185,714)	-	-	(185,714)
Balance at 30 June 2025	49,197,823	2,226,438	(52,022,505)	(598,244)

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

AdAlta Limited
Statement of cash flows
For the year ended 30 June 2025

	Note	Consolidated 2025 $	Consolidated 2024 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,729,707)	(7,657,497)
R & D Tax Incentive		1,774,530	2,350,940
Interest received		18,644	46,725
Net cash used in operating activities	22	(2,936,533)	(5,259,832)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(62,395)
Proceeds from disposal of property, plant and equipment		109,615	-
Net cash from/(used in) investing activities		109,615	(62,395)
Cash flows from financing activities			
Proceeds from issue of shares		1,284,282	3,531,169
Payment of share issue costs		(185,714)	(286,089)
Proceeds from issue of financial liabilities		875,895	1,200,000
Proceeds from exercise of options		-	1,876,583
Repayment of borrowings		(1,400,000)	(2,600,000)
Proceeds from borrowings		424,600	-
Proceeds from other financing activities		-	(55,500)
Net cash from financing activities		999,063	3,666,163
Net decrease in cash and cash equivalents		(1,827,855)	(1,656,064)
Cash and cash equivalents at the beginning of the financial year		3,133,449	4,789,513
Cash and cash equivalents at the end of the financial year	6	1,305,594	3,133,449

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 financial year. The financial statements are presented in Australian dollars, which is AdAlta Limited's functional and presentation currency.

AdAlta Limited is a listed public Group limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 201
697 Burke Road
Camberwell, VIC 3124

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 27 August 2025. The Directors have the power to amend and reissue the financial statements.

2. Material accounting policy information

The accounting policies that are material to the group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policy information relating to the preparation of the financial statements and presented below are consistent with prior reporting periods unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AdAlta Limited ('company' or 'parent entity') as at 30 June 2025 and the results of all subsidiaries for the year then ended. AdAlta Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' and / or “Group”.

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 incurred losses of $4,502,268 (2024: $5,381,269) and the Group had net cash outflows from operating activities of $2,936,533 (2024: $5,259,832). As at balance date, the Group had net current assets of $804,834 (2024: $3,070,291).

The Group is required to repay the loan recorded at 30 June 2025 of $446,785 with Radium Capital upon the receipt of the FY25 Research & Development (R&D) Tax Incentive refund, noting that the estimated accrued R&D refund for FY25 is $677,010.

2. Material accounting policy information (continued)

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 (and has already taken steps to) 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 Group;
- The Group is in active discussions to license/partner its technology (in the ordinary course of executing its business plan); and
- The Group does not have any long term leases
- The Group 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 group may have to realise 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.

Research and Development Tax Incentive

The Research and Development Tax Incentive is accounted for in accordance with AASB 120 Government Grants on an accruals basis when the following recognition criteria have been met:
(a) the entity reasonably expects it will comply with the conditions attaching to the grant; and
(b) the grant will be received.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Fair value measurement

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Financial Liability - Investment Agreement

The Investment Agreements (see note 15) are treated as hybrid financial instruments and separated into the host liability and embedded derivative components based on the terms of the agreement. On issuance of the share subscription agreements, the host liability component is initially recognised at the residual value by deducting the fair value of the derivative liability from the amount of financial liabilities. The embedded derivative component is initially recognised at fair value. The host debt is carried at amortised cost using the effective interest method until extinguished on conversion or redemption.

Where borrowings feature share conversion clauses that entitle the investor to a variable number of shares, be this through an entitlement to settle interest through the conversion clause or through the terms specified in the conversion clause itself, an embedded derivative is separated from the underlying borrowing host contract only when the conversion clause is activated upon a movement in a market price at initial recognition. Thereafter the embedded derivative is revalued at each subsequent reporting date with changes taken to the profit or loss. The underlying host contract following initial recognition is recognised at amortised cost applying the effective interest rate method.

2. Material accounting policy information (continued)

Embedded Derivative
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a standalone derivative.

The embedded derivative is separate from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit and loss.

Employee benefits

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates and judgements
The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates:
(i) Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors understanding thereof. At the current stage of the Group's development and its current environmental impact the Directors believe such treatment is reasonable and appropriate.

(ii) Taxation
Balances disclosed in the financial statements and the notes hereto, related to taxation are based on the best estimates of Directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income tax legislation and the Directors understanding thereof. No adjustment has been made for pending or future tax legislation. The current income tax position represents the Directors' best estimate, pending an assessment by the Australian Taxation Office.

New or amended Accounting Standards and Interpretations adopted
The group has adopted all the newly issued accounting standards which are relevant and mandatory for the first time in the 2025 financial year.

New Accounting Standards and Interpretations not yet mandatory or early adopted
The consolidated entity 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. Other revenue

	Consolidated 2025 $	Consolidated 2024 $
R&D Tax Incentive	677,010	1,737,798

3. Other revenue (continued)

The Group made a new Advance Overseas Finding application in FY25. The estimated R&D tax refund for FY25 does not include any overseas expenditure in relation to the New Overseas Finding application made during FY25. In the event that the overseas finding is successful, the R&D refund will increase accordingly.

4. Income tax expense

	Consolidated 2025 $	Consolidated 2024 $
Income tax expense		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,502,268)	(5,381,269)
Tax at the statutory tax rate of 25%	(1,125,567)	(1,345,317)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Non deductible expenses	433,617	1,083,838
Non assessable income	(169,253)	(434,450)
Temporary differences	(68,290)	73,308
Benefits of tax losses not brought into account	929,493	622,621
Income tax expense	-	-

The Group has revenue losses of approximately $19,444,801 for which no deferred tax asset has been recognised.

The Group has no franking credits currently available for future offset.

5. Loss per share

	Consolidated 2025 $	Consolidated 2024 $
Loss after income tax attributable to the owners of AdAlta Limited	(4,502,268)	(5,381,269)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	653,076,978	494,599,658
Weighted average number of ordinary shares used in calculating diluted earnings per share[1]	653,076,978	494,599,658
	Cents	**Cents**
Basic earnings per share	(0.69)	(1.09)
Diluted earnings per share	(0.69)	(1.09)

[1]The group had 25,828,755 unlisted options and 226,951,398 listed options on issue as at 30 June 2025 (2024: 13,734,060) and 2,438,787 performance rights on issue as at 30 June 2025 (2024: 0) that are not considered to be dilutive due to the exercise price exceeding the current market price of the underlying ordinary shares.

6. Cash and cash equivalents

	Consolidated 2025 $	Consolidated 2024 $
Cheque accounts	141,231	89,213
Cash reserve accounts	1,164,363	3,044,236
	1,305,594	3,133,449

7. Trade and other receivables

	Consolidated 2025 $	Consolidated 2024 $
Goods and services tax	42,772	40,824
Prepaid expenses	116,187	135,832
R&D Tax Incentive	677,010	1,774,530
	835,969	1,951,186

8. Other current assets

	Consolidated 2025 $	Consolidated 2024 $
Security Deposits	-	206,282

9. Property, plant and equipment

	Consolidated 2025 $	Consolidated 2024 $
Plant and equipment - at cost	-	228,269
Less: Accumulated depreciation	-	(151,926)
	-	76,343
Office equipment - at cost	-	46,629
Less: Accumulated depreciation	-	(46,429)
	-	200
	-	76,543

9. Property, plant and equipment (continued)

Movements in the carrying amounts for each class of

	2025 $	2024 $
Plant and equipment		
Balance at beginning of year	76,343	35,951
Additions	-	61,036
Disposals	(63,218)	-
Depreciation expense	(13,125)	(20,644)
Balance at end of year	-	76,343

	2025 $	2024 $
Office equipment		
Balance at beginning of year	200	58
Additions	34	1,359
Disposals	(68)	-
Depreciation	(166)	(1,217)
Balance at end of year	-	200

In February 2025 the Company announced the cessation of internal discovery R&D and the closure of its laboratories as a result. Laboratory plant and equipment that was no longer required was sold for $99,650 resulting in a gain of $36,364.

10. Right-of-use asset

	Consolidated 2025 $	Consolidated 2024 $
Land and buildings - right-of-use	-	246,649
Less: Accumulated depreciation	-	(41,108)
	-	205,541

	Consolidated 2025 $	Consolidated 2024 $
Reconciliation of carrying amount of right-of-use asset		
Carrying value at the beginning of the year	205,541	-
Additions / lease inception	-	246,649
Disposals	(133,602)	-
Depreciation	(71,939)	(41,108)
Carrying value at end of year	-	205,541

Additions to the right-of-use assets during the year were $nil.

The above right-of-use asset (ROU) and lease liability relate to the office and laboratory lease entered into by the Group with La Trobe University. The lease has been accounted for in accordance with AASB 16.

The ROU asset is measured at the amount equal to the lease liability at initial recognition and then amortised over the life of the lease. During the prior year, the Group entered into a lease agreement for a period of 24 months from 1 March 2024. The lease liability and ROU asset at initial recognition for this new lease was $246,649.

10. Right-of-use asset (continued)

The right-of-use asset is being depreciated over the lease term on a straight-line basis. Depreciation expense of $nil was included in depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income.

At initial recognition, the lease liability was measured as the present value of minimum lease payments using the Group's incremental borrowing rate of 11.56%. The incremental borrowing rate was based on the unsecured interest rate that would apply if finance was sought for an amount and time period equivalent to the lease requirements of the Group. Each lease payment is allocated between the liability and interest expense. The interest expense of $11,484 was included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

In April 2025 the Group terminated the lease with La Trobe University in accordance with its terms.

11. Trade and other payables

	Consolidated	
	2025 $	2024 $
Trade payables	641,765	92,947
Accrued expenses	134,603	415,801
PAYG payable	37,817	35,412
Superannuation payable	7,483	6,850
	821,668	551,010

12. Borrowings

	Consolidated	
	2025 $	2024 $
Current liabilities		
Loan – R&D Advance	446,785	1,405,195

The balance at 30 June 2024 relates to a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative (Initiative) entered into during FY22 of up to $4.0 million. During FY24 the Group repaid $2.6 million and repaid the remaining $1.4 million in October 2024.

The balance as at 30 June 2025 is in relation to the loan facility entered into on 5 March 2025 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 2025 as accrued at 31 January 2025. The interest rate for the loan facility is 16% per annum.

13. Lease liabilities

Current lease liabilities

	Consolidated 2025 $	Consolidated 2024 $
Lease liability	-	119,736

Non-current lease liabilities

	Consolidated 2025 $	Consolidated 2024 $
Lease liability	-	90,340

In April 2025 the Group terminated the lease with La Trobe University.

14. Provisions

Current provisions

	Consolidated 2025 $	Consolidated 2024 $
Annual leave	68,276	144,685

Non-current provisions

	Consolidated 2025 $	Consolidated 2024 $
Long service leave	27,184	31,589

15. Financial liabilities

	Consolidated 2025 $	Consolidated 2024 $
Institutional Investment Agreement - debt component	1,320,831	1,089,363
Institutional Investment Agreement - embedded derivative component	55,063	110,637
	1,375,894	1,200,000

15. Financial liabilities (continued)

On 29 April 2024 the Group entered into an institutional investment via the Investment Agreements with New Life Sciences Capital, LLC ("**NLSC Investment**") and the Meurs Group ("**Meurs Investment**") (together the "**Investors**") for up to $3.7 million. The terms of the institutional investment are substantially the same with both investors. A total of $1.2 million was received in May 2024, being the initial investment. During September 2024 $300,000 and in November 2024 $576,000 were received being the second tranches under the Meurs Investment and the NLSC Investment respectively. Both tranches of the investment are recognised as a financial liability with a debt and embedded derivative component.

The Group has the right (but not an obligation) to opt to repay the subscription amount of each investment by making a payment to an Investor equal to the market value of the shares that would have otherwise been issued, instead of issuing shares to the Investor. If the Group does not exercise that right, the Group will issue Placement Shares when requested by an Investor, within 36 months of the date of the first tranche. The number of shares so issued by the Group will be determined by applying the Purchase Price (as set out below) to the subscription amount, but subject to the Floor Price (as set out below).

The Purchase Price of the Placement Shares was equal to $0.06 initially, representing a premium of approximately 93.5% to the closing price of the Group's shares on 26 April 2024. Subject to the Floor Price described below, after the initial month, the Purchase Price will reset to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue Placement Shares, less a 10% discount. The Purchase Price will, nevertheless, be the subject of the Floor Price of $0.02. If the Purchase Price formula would result in a price that is less than the Floor Price, the Group may forego issuing shares and instead opt to repay the applicable subscription amount in cash (with a 12% premium), subject to the Investor's right to receive Placement Shares at the Floor Price in lieu of such cash repayment. For the benefit of the Group, the Purchase Price will not be the subject of a cap.

During the year $700,000 was converted to ordinary shares. As at 30 June 2025, in accordance with Investment Agreements, a total of $1,562,725 is available to be converted ($1,199,725 NLSC and $363,000 Meurs Investment).

16. Issued capital

	Consolidated			
	2025 Shares	2024 Shares	2025 $	2024 $
Ordinary shares - fully paid	1,071,316,488	595,623,520	49,197,823	47,399,255

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.

	2025 Shares	2024 Shares	2025 $	2024 $
Balance at beginning of the reporting period	595,623,520	366,679,546	47,399,255	42,175,065
Issued for services in lieu of cash	-	2,277,779	-	75,000
Issue of institutional investment fee shares	-	2,466,667	-	74,000
Issue of unpaid shares under investment agreements	-	3,800,000	-	-
Issued on exercise of options	-	62,552,776	-	1,876,583
Issued on conversion of financial liability	46,945,647	-	700,000	-
Issued on exercise of performance rights	653,592	-	-	-
Issue of ordinary shares	428,093,729	157,846,752	1,284,282	3,531,169
Capital raising costs	-	-	(185,714)	(332,562)
	1,071,316,488	595,623,520	49,197,823	47,399,255

17. Reserves

	Consolidated 2025 $	Consolidated 2024 $
Share-based payments reserve	2,226,438	2,151,428

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. 4,749,575 options and performance rights were issued during the period as a part of remuneration.

	2025 $	2024 $
At beginning of reporting period	2,151,428	1,873,857
Options and Performance Rights issued to Directors and Employees	75,010	205,571
Securities issued to other parties as part of compensation	-	72,000
At end of reporting period	2,226,438	2,151,428

Options on issue:

Expiry Date	Exercise Price	Balance at start of year Number	Granted in year Number	Exercised Number	Expired / cancelled Number	Balance at end of year Number
26/11/2025	$0.2479	492,906	-	-	-	492,906
26/11/2025	$0.2479	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2479	1,478,718	-	-	-	1,478,718
26/11/2025	$0.2482	1,478,718	-	-	-	1,478,718
15/03/2025	$0.1744	200,000	-	-	(200,000)	-
15/03/2025	$0.1744	200,000	-	-	(200,000)	-
29/11/2025	$0.0845	6,655,000	-	-	-	6,655,000
28/02/2026	$0.0757	350,000	-	-	-	350,000
27/02/2027	$0.0397	1,400,000	-	-	-	1,400,000
25/08/2027	$0.0200	100,000	-	-	(50,000)	50,000
22/11/2027	$0.0200	11,900,000	-	-	(875,000)	11,025,000
26/02/2028	$0.0200	1,325,000	-	-	(662,500)	662,500
20/11/2028	$0.0183	-	757,195	-	-	757,195
19/02/2029	$0.0160	-	900,000	-	(900,000)	-
03/06/2028	$0.0100	-	226,951,398[1]	-	-	226,951,398
		27,059,060	228,608,593	-	(2,887,500)	252,780,153

[1] The options expiring 3 June 2028 includes 12,904,522 listed options provided to Mahe Capital as a part of the rights issue.

Weighted average exercise price at 30 June 2025 $0.0172 (30 June 2024: $0.0814).

For the options granted as compensation during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate
20/11/2024	20/11/2028	$0.019	$0.019	73.32%	0%	4.35%
19/02/2025	19/02/2029	$0.016	$0.016	74.30%	0%	4.25%

17. Reserves (continued)

For the performance rights granted as compensation during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate
25/11/2024	25/11/2028	$0.017	$0.000	73.71%	0%	4.35%

18. Related party transactions

Related parties
The Group's main related parties are as follows:

Non-Executive Directors	**Position**
Dr Paul MacLeman	Non-Executive Chair
Dr Robert Peach	Non-Executive Director (Resigned 20 November 2024)
Dr David Fuller	Non-Executive Director
Ms Michelle Burke	Non-Executive Director (Appointed 20 November 2024)
Mr Iain Ross	Non-Executive Director (Appointed 20 November 2024 and Resigned 30 June 2025)
Executive Directors	
Dr Timothy Oldham	Chief Executive Officer and Managing Director

Transactions with related parties
Aside from the amounts previously disclosed in the Remuneration Report, there were no other transactions with related parties during the current and previous financial year. The aggregate compensation made to Directors and other Key Management Personnel of the Group is set out below:

	Consolidated 2025 $	Consolidated 2024 $
Short-term benefits (Including performance bonuses)	540,404	526,823
Post-employment benefits	37,609	34,834
Share based payments	68,696	97,188
	646,709	658,845

19. Contingent liabilities and contingent assets

The Directors are not aware of any matters or circumstances which may give rise to a contingent liability or asset.

20. Commitments

Capital commitments
The Group has no capital commitments.

Other commitments
The Group has no other commitments.

21. Financial risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Term, conditions and accounting policies

The Group's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the reporting date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
i) Financial assets			
Cheque account	6	Carried at face value.	The cheque account is at call with an interest rate of 0.00% (2024: 0.00%).
Cash reserve	6	Carried at face value.	The cash reserve account is at call with an interest rate of 1.21% (2024: 1.35%).
R & D Tax Incentive	7	Recognised on an accrual basis.	The incentive is claimed annually under an Australia Taxation Office mechanism which designed to promote research and development.
Trade receivables	7	Recognised on an accrual basis.	Normal invoice terms are 14-60 days.
Goods & services tax paid	7	Recognised on an accrual basis.	Business activity statements are lodged on a quarterly basis.
ii) Financial liabilities			
Trade and other creditors	11	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the group.	The majority of costs are invoiced on a quarterly basis and hence liabilities accrue for up to 90 days. Trade liabilities are normally settled on 14-30 day terms.
Other liabilities Other current assets	8	Carried at face value.	Forward exchange contract is entered into on specific terms as agreed by the Foreign Exchange intermediary and the Group.
Borrowings	12	Carried at face value.	2025: The Loan is a Secured Loan, with a variable interest rate. The Security is the R&D Tax Incentive refund for the financial year ending 30 June 2025 (Rate as at 30 June 2025 of 15%) 2024: The Loan is a Secured Loan, with a variable interest rate of the TCV interest rate. The Security is the R&D Tax Incentive refund for the financial year ending 30 June 2024 (Rate as at 30 June 2024 of 4.515%).
Financial liabilities	15	Carried at face value.	The institutional investment is recognised based on an external valuation.
iii) Equity			
Ordinary shares	16	Ordinary share capital is recognised at the fair value of the consideration received by the group.	Details of the shares issued and the terms and conditions of the options outstanding over ordinary shares at balance date are set out in note 16.

21. Financial risk management (continued)

Carrying value
The carrying value of financial assets and liabilities approximates their fair value.

Financial risk management
The Group's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

i) Market risk
The Group is not exposed to either equity securities price risk or commodity price risk.

The Group has an exposure to foreign currency risk because several contracts relating to cost of services are denominated in foreign currencies. When the service agreement is signed the Group seeks to lock-in a foreign exchange rate to minimise the risks associated with fluctuating currency markets.

ii) Credit risk
The maximum credit risk is total current assets of which the vast majority is either in the form of cash or amounts receivable from the Australian Taxation Office in the form of the Research and Development Tax Incentive and GST refundable.

iii) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and short-term assets to enable the Group to settle its liabilities.

The contractual undiscounted cash flows of the Group's borrowing commitments is set out in the table below. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Contractual maturities	less than 1 year	>1 year 5 years	>5 years	Total	Carrying amount
Loan - R&D advance - 2025	446,785	-	-	446,785	446,785
Loan - R&D advance - 2024	1,405,195	-	-	1,405,195	1,405,195

iv) Interest Rate Risk
As at the reporting date the Group had the following variable rate bank accounts and borrowings:

	Weighted average %	Balance $	Fixed interest rate exposure $	Variable interest rate exposure $
Cash and cash Equivalents - 2025	1.21%	1,305,594	1,164,363	141,231
Cash and cash Equivalents - 2024	1.35%	3,133,449	3,044,236	89,213
Borrowings - 2025	2.82%	446,785	-	446,785
Borrowings - 2024	2.82%	1,405,195	-	1,405,195

v) Cash flow and fair value interest rate risk
The Group maintains a current cheque account balance sufficient to meet day to day expenses with the balance of cash held in accounts designed to maximise interest income.

vi) Foreign exchange risk
The Group has contracts denominated in foreign currencies, predominantly in US dollars , Euros and Great Britain Pounds and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments with suppliers and customers and past experience and in accordance with Board-approved limits.

22. Reconciliation of loss after income tax to net cash used in operating activities

Reconciliation of cash flow from operations with profit after income tax

	Consolidated 2025 $	Consolidated 2024 $
Loss after income tax expense for the year	(4,502,268)	(5,381,269)
Adjustments for:		
Depreciation and amortisation	85,231	62,969
Net gain on disposal of plant and equipment and termination of lease	53,354	-
Share-based payments	72,757	205,571
Interest expense and borrowing costs	32,927	-
Amounts paid directly by issuance of shares	-	75,000
Change in operating assets and liabilities:		
(Increase) / decrease in receivables	1,115,216	744,252
(Increase) / decrease in current assets	16,388	(5,844)
Increase / (decrease) in payables	270,676	(1,036,318)
Increase / (decrease) in provisions	(80,814)	67,144
Increase / (decrease) in borrowings	-	8,663
Net cash used in operating activities	(2,936,533)	(5,259,832)

23. Dividends

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

24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Dry Kirkness (Audit) Pty Ltd, the auditor of the group:

	Consolidated 2025 $	Consolidated 2024 $
Audit services - Dry Kirkness (Audit) Pty Ltd		
Audit and review of the financial statements	30,000	25,750

25. Events after the reporting period

On 12 July 2025, 41,666,667 Ordinary Shares were issued under the Investment Agreement with NLSC providing a settlement notice, converting $75,000 of Investment Amount to ordinary shares at an issue price of $0.0018.

On 12 August 2025, 41,666,667 Ordinary Shares were issued under the Investment Agreement with NLSC providing a settlement notice, converting $75,000 of Investment Amount to ordinary shares at an issue price of $0.0018.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2025 $	2024 $
Loss after income tax	(4,502,268)	(5,381,269)
Total comprehensive income	(4,502,268)	(5,381,269)

Statement of financial position

	Parent	
	2025 $	2024 $
Total current assets	2,141,563	5,290,917
Total assets	2,141,563	5,573,001
Total current liabilities	1,336,729	2,220,626
Total liabilities	2,739,807	3,542,555
Equity		
Issued capital	49,197,823	47,399,255
Share-based payments reserve	2,226,438	2,151,428
Accumulated losses	(52,022,505)	(47,520,237)
Total equity/(deficiency)	(598,244)	2,030,446

There are no joint venture arrangements in place and no contingent liabilities or commitments at year end

AdAlta Limited
Consolidated entity disclosure statement
As at 30 June 2025

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
AdAlta Limited	Body Corporate	Australia	-	Australia
AdSolis Pty Ltd	Body Corporate	Australia	100.00%	Australia
AdCella Pty Ltd	Body Corporate	Australia	100.00%	Australia

Basis of preparation
This Consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency
Section 295 (3A)(vi) of the Corporation Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

Australian tax residency
The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency
Where necessary, the Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

Partnerships and Trusts
None of the entities noted above were trustees of trusts within the year.

AdAlta Limited
Directors' declaration
30 June 2025

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2025 and of its performance for the financial 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.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Paul MacLeman
Chairman

27 August 2025
Melbourne

DRY KIRKNESS

INDEPENDENT AUDITOR'S REPORT
To the Members of AdAlta Limited

Report on the audit of the annual financial report

Opinion

We have audited the financial report of AdAlta Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2025, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of AdAlta Limited, is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2025 and of its financial performance for the year then ended;

ii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group 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 ethical requirements 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 Group, would be in the same terms if given to the directors as at the date of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the Group incurred a loss after tax of $4,502,268 (2024: $5,381,269) and had net cash outflows from operating activities of $2,936,533 (2024:

$5,259,832) for the year ended 30 June 2025. As at 30 June 2025, the Group had net current assets of $804,834 (2023: $3,070,291).

The Group is required to repay the loan recorded at 30 June 2025 of $446,785 with Radium Capital coincident with the receipt of the FY25 Research & Development (R&D) tax incentive refund. In the event the Group does not receive a refund in excess of the loan facility the Group will be required to repay the loan with its cash reserves, noting that the estimated accrued R&D refund for FY25 is $677,010.

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 Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Equity and Capital Structure *Refer notes 16 and 17* During the year, the Group successfully issued fully paid ordinary shares as well as various options of which some have been exercised**.**	Our audit procedures included an examination of each issue of fully paid ordinary shares during the year as disclosed in note 16 and an examination of the movements in the share option reserve as disclosed in note 17. We also assessed whether share-based payments should have been recognised in relation to the Employee Share Option Plan. Further, we reconciled the third-party share registry to information announced to the public.
Research and Development Tax Incentive *Refer notes 3 and 7* Management utilise key assumptions, judgements and estimates in determining the R&D Tax Incentive disclosed in note 3 and 7 which is material to the financial statements. Management have utilised the services of a tax expert to prepare the calculation for the Group's eligible R&D spend for inclusion in its submission to the ATO.	Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by management's expert in preparing the R&D Tax Incentive application. We also focused on the adequacy of financial report disclosures regarding these assumptions as disclosed at note 2.
Financial Liabilities *Refer note 15* The Group entered into a note institutional investment agreement where a total of $1.2 million was received in May 2024 as the initial investment During the year further amounts of $876K were received as the second tranche with $700K converted to ordinary shares. The investment was	Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by management's expert in determining the value of the financial liability as well as the accounting treatment. We also focused on the adequacy of financial report

recognised as a financial liability with a debt and embedded derivative component. Management utilise key assumptions, judgements and estimates in determining the value of the financial liability disclosed in note 15 which is material to the financial statements. Management have utilised the services of an expert to determine the accounting treatment in accordance with Australian Accounting Standards and to value the financial liability.	disclosures regarding the terms of the financial liability as disclosed at note 15.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial report

The directors of the Group are responsible for the preparation of:

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001; and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001; and

c) for such internal control as the directors determine is necessary to enable the preparation of:

   i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

   ii) the consolidated entity disclosure statement that is true and correct and is free from misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included on pages 20 to 25 of the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2025, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DRY KIRKNESS (AUDIT) PTY LTD

ROBERT HALL CA
Director

Perth
Date: 27 August 2025

The shareholder information set out below was applicable as at 4 August 2025.

(a) Distribution of equitable securities

(i) Quoted Options, exercisable at $0.01 expiring on 3 June 2028

Options	# of holders	# of units	% issued options
1 to 1,000	3	660	0.00%
1,001 to 5,000	26	78,822	0.03%
5,001 to 10,000	18	137,040	0.06%
10,001 to 100,000	92	4,287,605	1.89%
100,001 and over	91	222,447,271	98.02%
	230	226,951,398	100%

(ii) Ordinary Shares

Ordinary Shares	# of holders	# of units	% Issued share
1 to 1,000	45	3,577	-
1,001 to 5,000	101	340,644	0.030%
5,001 to 10,000	175	1,356,547	0.12%
10,001 to 100,000	547	22,420,621	2.01%
100,001 and over	473	1,088,861,766	97.83%
	1,341	1,112,983,155	100%

The number of shareholders holding less than a marketable parcel of shares are 683.

(b) Voting rights

(i) Options

No voting rights. The names of the twenty largest holders of quoted options are:

Position	Holder name	Holding	IC
1	MS CHUNYAN NIU	33,333,334	14.69%
2	SACAVIC PTY LTD <MORRIS SUPER FUND A/C>	33,333,333	14.69%
3	MR BILAL AHMAD	19,683,520	8.67%
4	SCINTILLA STRATEGIC INVESTMENTS LIMITED	10,600,000	4.67%
5	HUON PINE PTY LTD <HUON PINE INVESTMENT A/C>	7,500,000	3.30%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,833,333	2.57%
7	CATPAR PTY LTD	5,300,000	2.34%
7	RIYA INVESTMENTS PTY LTD	5,300,000	2.34%
8	MR KURT BARTON ATHERTON	5,000,000	2.20%
9	MR SEAN LOCHHEAD	4,299,999	1.89%
10	MR LINDSAY DAVID HEAVEN	4,166,667	1.84%
11	MR ANTHONY JOHN LOCANTRO	4,004,926	1.76%
12	MR ALEXANDER LEWIT	3,533,333	1.56%
13	MATINA CORP PTY LTD <T MATINA FAMILY A/C>	3,500,000	1.54%
14	MR DOMENIC LAPADULA	3,333,333	1.47%
14	MR TERENCE O'CONNOR	3,333,333	1.47%
14	MR BENJAMIN JAMES OPIE <KTG FAMILY NO 2 A/C>	3,333,333	1.47%
14	PARK AND MAYFAIR PTY LTD <J MATTHEWS&J BROOKE SF A/C>	3,333,333	1.47%
14	MR RODNEY MARK KEYSSECKER	3,333,333	1.47%
14	QUALITY CAPITAL PTY LTD <QUALITY CAPITAL A/C>	3,333,333	1.47%
15	BAB SUPER FUND PTY LTD <BAB SUPER FUND A/C>	3,000,000	1.32%
15	MR STEPHEN GORDON PATTRICK	3,000,000	1.32%
16	Kevin Cairns	2,999,999	1.32%
17	MR VINCENZO BRIZZI & MRS RITA LUCIA BRIZZI <BRIZZI FAMILY S/F A/C>	2,666,666	1.18%

18	MRS PATRICIA MAY BRADSHAW	2,500,000	1.10%
18	MR GRAHAM ARTHUR ROBINSON	2,500,000	1.10%
19	MRS GWEN MURRAY PFLEGER <PFLEGER FAMILY A/C>	2,000,000	0.88%
19	BLACKWOOD COOK PTY LTD <GAVIN BLACKWOOD COOK A/C>	2,000,000	0.88%
20	CONSULT4NTS PTY LTD	1,766,667	0.78%
	Total	**187,821,775**	**82.76%**
	Total issued capital - selected security class(es)	**226,951,398**	**100.00%**

(ii) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

The names of the twenty largest holders of quoted ordinary shares are:

Position	Holder name	Holding	IC
1	SACAVIC PTY LTD <MORRIS SUPER FUND A/C>	166,108,388	14.92%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	92,345,364	8.30%
3	Meurs Group	91,813,360	8.25%
4	MS CHUNYAN NIU	66,666,667	5.99%
5	DR YOON MEI HO	29,405,677	2.64%
6	SCINTILLA STRATEGIC INVESTMENTS LIMITED	28,991,540	2.60%
7	Cth Govt - Dept Sci Ind	27,029,924	2.43%
8	HUON PINE PTY LTD <HUON PINE INVESTMENT A/C>	24,500,000	2.20%
9	RADIATA FOUNDATION LTD	20,560,519	1.85%
10	MR AIMIN XUE	20,000,000	1.80%
11	MRS GWEN MURRAY PFLEGER <PFLEGER FAMILY A/C>	15,000,000	1.35%
12	MR TZU HSUAN TSENG	11,284,605	1.01%
13	MR KURT BARTON ATHERTON	10,000,000	0.90%
13	CATPAR PTY LTD	10,000,000	0.90%
14	Kevin Cairns	9,999,997	0.90%
15	MR LINDSAY DAVID HEAVEN	8,833,334	0.79%
16	MR BILAL AHMAD	8,000,000	0.72%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,647,864	0.69%
18	MR STEPHEN GORDON PATTRICK	7,609,000	0.68%
19	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	7,458,296	0.67%
20	MR XIAOBIN YANG	7,233,684	0.65%
	Total	**670,488,219**	**60.24%**
	Total issued capital - selected security class(es)	**1,112,983,155**	**100%**

(c) Substantial shareholders

The names of substantial shareholders in accordance with section 671B of the Corporations Act 2001 are:

Position	Shareholder	Holding	% IC
1	SACAVIC PTY LTD <MORRIS SUPER FUND A/C>	166,108,388	14.92%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	92,345,364	8.30%
3	MS CHUNYAN NIU	66,666,667	5.99%

[1]Number of shares held per last reported substantial interest notice holding notice.

(d) Unquoted securities

Details of substantial holders:

Number	Number of holders	Class	Holders of more than 20%
28,267,542	60	Options expiring various dates and various prices	Tim Oldham 49.11% (13,883,254) Mr Paul Macleman 20.71% (5,855,000) Mr David Fuller 10.44% (2,950,000) Robert Peach 7.34% (2,075,000)