

ANNUAL REPORT 2022

An Alternate Future



Alterity

Alterity Therapeutics Limited
ACN 080 699 065

Lodged with the ASX under Listing Rule 4.3A.
This information should be read in conjunction with the Annual report.

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Alterity Therapeutics Limited
Appendix 4E - Preliminary Final Report
For the year ended 30 June 2022

| | |
|-------------------------------------|--------------------------------------|
| Name of entity | Alterity Therapeutics Limited |
| ABN or equivalent company reference | 37 080 699 065 |
| Current reporting period | 30 June 2022 |
| Corresponding reporting period | 30 June 2021 |

Results for announcement to the market

| | | | | |
|--|------|---------|----|------------|
| | | | | \$ |
| Revenue for ordinary activities | Down | (87.9)% | to | 2,504 |
| Net loss after tax (from ordinary activities) for the year attributable to members | Down | (16.1)% | to | 12,847,061 |
| Net loss after tax for the year attributable to members | Down | (16.1)% | to | 12,847,061 |

Net tangible assets per share

| | 30 June 2022 | 30 June 2021 |
|--|---------------------|--------------|
| Net tangible asset backing per share (cents) | 1.48 | 1.46 |

Explanation of results

Alterity Therapeutics Limited recorded revenue of \$2,504 for the year ended 30 June 2022 (2021: \$20,676), which is interest received on the Group's bank accounts. Alterity Therapeutics Limited has incurred a loss for the year of \$12,847,061 (2021: \$15,309,353). This loss has reduced due to share based payment expense relating to the issue of options to key management personnel, termination payments and increased consultants' fees in the prior period.

For further details relating to the current period's results, refer to the contained within this document.

Changes in controlled entities

N/A

Other information required by Listing Rule 4.3A

N/A

Other documents accompany this Appendix 4E

This Appendix 4E should be read in conjunction with the Alterity Therapeutics Limited Annual Report on the Form 20-F, which includes:

- Item 18 Financial Statements; and
- Other sections as tabled below.

This Preliminary Final Report and the associated Directors' Report are found throughout the various sections of the accompanying Alterity Therapeutics Limited Annual Report on the Form 20-F.

The following table has been provided to assist readers to locate each section of the Directors' Report within the accompanying Annual Report on the Form 20-F.

| Sections of Directors' Report | Form 20-F Reference |
|--|---|
| Principal activities | Item 4.A History and Development of the Company |
| Review of operations and activities | Item 4.B Business Overview Item 5.A Operating Results |
| Business strategies and prospects for future years | Item 4.B Business Overview Item 5.A Operating Results |
| Business risks | Item 3.D Risk Factors |
| Significant changes in the state of affairs | Item 5.A Operating Results See subheading – "Significant changes in the state of affairs" |
| Matters subsequent to the end of the financial year | Item 5.A Operating Results See subheading – "Events since the end of financial year" |
| Likely developments and expected results of operations | Item 5.A Operating Results See subheading – "Likely developments and expected results of operations" |
| Environmental regulation | Item 5.A Operating Results See subheading – "Environmental regulation" |
| Dividends | Item 5.A Operating Results See subheading – "Dividends" |
| Information on directors | Item 6.A Directors, Senior Management and Employees See subheading – "Directors and Senior Management" |
| Remuneration report | The Remuneration report starts at Item 6 and ends part way through Item 6.B as indicated |
| Indemnification of officers | Item 6.C Board Practices See subheading – "Indemnification of Directors and Officers" |
| Proceedings on behalf of the group | Item 6.C Board Practices See subheading – "Proceedings on behalf of our Group" |
| Non-Audit Services | Item 6.C Board Practices See subheading – "Non-audit services" |
| Auditor's independence declaration | Exhibits 15.2 |
| Directors' Resolution | Item 6.C Board Practices |

Audit

These accounts have been audited. An unmodified audit report is provided with the accompanying financial report.

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Alterity Therapeutics Limited
ACN 080 699 065

Annual report – June 30, 2022

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CHAIRMAN'S LETTER



Dear Shareholders,

I'm pleased to present Alterity Therapeutics' Annual Report for 2022. This has been an exciting year for our company as we have taken significant steps toward providing an alternative future for people with Parkinsonian diseases such as Multiple System Atrophy (MSA).

We were pleased to announce the commencement of our global Phase 2 clinical trial for ATH434 for the treatment of patients with early-stage MSA. This is a tremendous milestone for Alterity as we progress on our path to the validation of our lead compound and come one step closer to commercializing the first drug specifically targeting the underlying pathology of MSA, providing much-needed hope for patients and their families.

MSA is an extremely debilitating disease that has a significant impact in patients' lives, most importantly the reduction of life expectancy. Current means of treatment only address the symptoms but do little to change the course of the disease. That is why our team remains motivated and highly focused on the progress of our research working towards developing a disease modifying treatment for MSA and other neurodegenerative diseases.

The Phase 2 clinical trial is a randomized, double-blind, placebo-controlled investigation of ATH434. Our goal is to enroll a total of 60 patients in the study, aiming to explore the effect of ATH434 treatment on imaging and protein biomarkers such as aggregating α -synuclein and excess iron which are important contributors to MSA pathology. The results of our Phase 2 trial will help us design a definitive Phase 3 clinical trial.

We made considerable progress on execution of the trial during this past year. We opened recruitment and dosed the first patient at our initial site at the New Zealand Brain Research Institute. We also opened enrolment in the United Kingdom and have received regulatory approval to expand the study in Italy. We continue to engage with regulators in Australia, the United States, and other European nations to secure approval to host our trial in these countries.

Our natural history study of MSA, bioMUSE, continues to deliver invaluable observational data that allows us to understand how the disease behaves in our target patient population. The researchers concluded that advanced MRI methods for measuring iron may improve patient selection in clinical trials of disease modifying therapy and may serve as a biomarker for assessing treatment induced changes.

The results from bioMUSE have also served to help our research team optimize the design our Phase 2 clinical trial related to patient population and endpoints, and thereby maximize the chance of success. The scientific data collected during the bioMUSE study was presented at two relevant industry events, the International Parkinson and Movement Disorder Society Congress, in September 2021, and the American Academy of Neurology (AAN) Annual Meeting, in April this year.

During the period, Alterity's Phase 1 clinical trial results were presented at medical meetings, and preclinical studies with ATH434 were recognized by the highly regarded medical publications Movement Disorders, the official journal of the International Parkinson and Movement Disorder Society, the Journal of Parkinson's Disease, and PLOS ONE, showing support from the scientific community to our scientific hypothesis.

In addition to our Phase 2 clinical trial for ATH434, Alterity continues to identify new drug candidates to expand our portfolio and protect our therapeutic approach to address neurodegeneration.

Lastly, we have strengthened our intellectual property portfolio with new US patents that will be instrumental in supporting Alterity's drug development portfolio. In July and August of 2021, Alterity was granted two composition of matter patents on 230 novel compounds that act as a new class of iron chaperones designed to redistribute the excess iron implicated in many neurodegenerative diseases, including Parkinson's and Alzheimer's diseases.

Despite our significant advancement and increased investor activity, it has been a challenging year in world capital markets with biotechnology stocks being especially hard hit. We do however remain resolute in our commitment to building long term shareholder value and we remain steadfastly focused on advancing our clinical program.

On behalf of the Board, I thank our CEO Dr Stamler, his executive team, and all our scientific and operational staff. And I thank our shareholders for their support over the last year. We are looking forward to another exciting and productive year for Alterity with the continued progress of our Phase 2 clinical trial, and we hope to continue to work towards creating an alternate future for people with neurodegenerative diseases.

Thank you,

A handwritten signature in blue ink, appearing to read "Geoffrey Kempler".

Geoffrey Kempler
Chairman and Founder

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number 000-49843

ALTERITY THERAPEUTICS LIMITED

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

Australia

(Jurisdiction of incorporation or organization)

Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia

(Address of principal executive offices)

David Stamler, Chief Executive Officer

Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia

+61 3 9349 4906 (phone)

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|---|-----------------------|--|
| American Depositary Shares, each representing sixty Ordinary Shares | ATHE | NASDAQ Capital Market |

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, as of June 30, 2022 2,406,874,578

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Emerging growth company

Accelerated filer
Non-accelerated filer

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

This Annual Report on Form 20-F is incorporated by reference into our Registration Statements on Form S-8 (File Nos. 333-228671, 333-248980 and 333-251073) and our Registration Statements on Form F-3 (File Nos. 333-231417, 333-249311, 333-250076 and 333-251647)

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INTRODUCTION

Alterity Therapeutics Limited (formerly Prana Biotechnology Limited) was incorporated under the laws of the Commonwealth of Australia on November 11, 1997. Our mission is to develop therapeutic drugs designed to treat neurodegenerative diseases, currently focusing on Parkinsonian and other movement disorders.

The principal listing of our ordinary shares and listed options to purchase our ordinary shares is on the Australian Securities Exchange, or ASX. Since September 5, 2002, our American Depositary Shares, or ADSs, have traded on the NASDAQ Capital Market under the symbol "PRAN." On April 8, 2019, we changed our name to Alterity Therapeutics Limited and our ADSs have traded under the symbol "ATHE" since that date. The Bank of New York, acting as depositary, issues American Depositary Receipts, or ADRs, each of which evidences an ADS, which in turn represents sixty of our ordinary shares. As used in this annual report, the terms "we," "us," "our," "the Company," "the Group" and "Alterity" mean Alterity Therapeutics Limited and its subsidiaries, unless otherwise indicated.

Our consolidated financial statements appearing in this annual report are prepared in Australian dollars and in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB and Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board.

Australian Disclosure Requirements

Our ordinary shares are primarily quoted on the Australian Securities Exchange ("ASX") in addition to our listing of our ADSs on the Nasdaq Capital Market. As part of our ASX listing, we are required to comply with various disclosure requirements as set out under the Australian *Corporations Act 2001* and the *ASX Listing Rules*. Information furnished under the sub-heading "Australian Disclosure Requirements" is intended to comply with the *ASX Listing Rules* and *Corporations Act 2001* disclosure requirements and is not intended to fulfill information required by this Annual Report on Form 20-F.

In this annual report, all references to "U.S. dollars" or "U.S.\$" are to the currency of the United States, and all references to "Australian dollars" or "A\$" are to the currency of Australia.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description of its terms.

Forward-Looking Statements

Except for the historical information contained in this annual report, the statements contained in this annual report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995, as amended, with respect to our business, financial condition and results of operations. Such forward-looking statements reflect our current view with respect to future events and financial results. We urge you to consider that statements which use the terms "anticipate," "believe," "do not believe," "expect," "plan," "intend," "estimate," and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward-looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section that appears in Item 3.D. "*Key Information-Risk Factors*."

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [RESERVED]

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Investing in our securities involves a high degree of risk and uncertainty. You should carefully consider the risks and uncertainties described below before investing in our securities. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be harmed. In that case, the daily price of our securities could decline, and you could lose all or part of your investment. These risk factors include:

Risks Related to Our Financial Condition

- We have a history of operating losses since we began operations and expect to continue to incur operating losses for the foreseeable future and may never achieve or maintain profitability.
- We will need additional funding to complete our clinical trials and to operate our business; such funding may not be available or, if it is available, such financing is likely to substantially dilute our existing shareholders.

Risks Related to Our Business

- Government efforts to control the effect and spread of the COVID-19 virus have had and will have a disruptive effect on different aspects of our business.
- We rely on research institutions to conduct our clinical trials and we may not be able to secure and maintain research institutions to conduct our future trials; In addition to government efforts relating to the COVID-19 pandemic, the institutions that we work with have their own limits and procedures that will influence or limit our ability to conduct research and development and the conduct of clinical trials.
- We are faced with uncertainties related to our research.
- Clinical trials as they relate to our business are expensive and time consuming and their outcome is uncertain.
- We may experience delays in our clinical trials that could adversely affect our business and operations.

- We may not be able to complete the development of our products candidates or develop other pharmaceutical products.
- We may need to prioritise the development of our most promising candidates at the expense of the development of other products.
- Our research and development efforts will be seriously jeopardised if we are unable to retain key personnel and cultivate key academic and scientific collaborations.
- If we are unable to successfully keep pace with technological change or with the advances of our competitors, our technology and products may become obsolete or non-competitive.
- Acceptance of our products in the marketplace is uncertain and failure to achieve market acceptance will negatively impact our business and operations.
- We have limited large scale manufacturing experience with our product candidates. Delays in manufacturing sufficient quantities of such materials to the required standards for pre-clinical and clinical trials may negatively impact our business and operations.
- The failure to establish sales, marketing and distribution capability would materially impair our ability to successfully market and sell our pharmaceutical products.
- If healthcare insurers and other organisations do not pay for our products, or impose limits on reimbursement, our future business may suffer.
- We may be exposed to product liability claims, which could harm our business.
- Breaches of network or information technology security, natural disasters or terrorist attacks could have an adverse effect on our business.

Risks Related to Government Regulation

- If we do not obtain the necessary governmental approvals, we will be unable to develop or commercialise our pharmaceutical products.
- We will not be able to commercialise any current or future product candidates if we fail to adequately demonstrate their safety and efficacy.
- Positive results in previous clinical trials of product candidates may not be replicated in future clinical trials, which could result in development delays or a failure to obtain marketing approval.
- Even if approved, any product candidates that we or our subsidiaries may develop and market may be later withdrawn from the market or subject to promotional limitations.
- Healthcare reform measures and other statutory or regulatory changes could adversely affect our business.
- We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act.

Risks Related to Intellectual Property

- Our success depends upon our ability to protect our intellectual property and our proprietary technology, to operate without infringing the proprietary rights of third parties and to obtain marketing exclusivity for our products and technologies.
- We may face difficulties in certain jurisdictions in protecting our intellectual property rights, which may diminish the value of our intellectual property rights in those jurisdictions.
- Intellectual property rights do not address all potential threats to our competitive advantage.
- Changes in patent laws or patent jurisprudence could diminish the value of our patents, thereby impairing our ability to protect our products or product candidates.
- Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and protect our other proprietary information.

Risks Related to Our Compliance with the Sarbanes-Oxley Act of 2002

- We may fail to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which could adversely affect our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADSs.
- Material weaknesses in our disclosure controls and procedures could negatively affect shareholder and customer confidence.

Risks Related to Ownership of Our Securities

- Our stock price may be volatile and the trading markets for our securities is limited.
- Ownership interest in our company may be further diluted as a result of additional financings.
- There is a substantial risk that we are a passive foreign investment company, or PFIC, to some U.S. investors which will subject those investors to adverse tax rules
- We do not anticipate paying dividends on our ordinary shares.
- Currency fluctuations may adversely affect the price of our securities.
- If we fail to maintain compliance with NASDAQ's continued listing requirements, our shares may be delisted from the NASDAQ Capital Market.

Risks Related to Our Location in Australia

- It may be difficult to enforce a judgment in the United States against us and our officers and directors or to assert U.S. securities laws claims in Australia or serve process on our officers and directors.
- As a foreign private issuer whose shares are listed on The NASDAQ Capital Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements.
- We currently do not have a majority of independent directors serving on our Board of Directors, which may afford less protection to our shareholders than if our Board of Directors had a majority of independent directors.
- Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares.
- Our Constitution and other Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.

Risks Related to Our Financial Condition

We have a history of operating losses since we began operations and expect to continue to incur operating losses for the foreseeable future and may never achieve or maintain profitability.

We have not sufficiently advanced the development of any of our product candidates to market or generate revenues from their commercial application and have incurred losses in every period since we began operations in 1997 and reported net losses of A\$12,847,061, A\$15,309,353 and A\$13,456,800. during the fiscal years ended June 30, 2022, 2021 and 2020 respectively. As of June 30, 2022, our accumulated deficit was A\$181,884,388. We expect to continue to incur additional operating losses over at least the next several years as we expand our research and development and pre-clinical activities and progress clinical trials of our product candidates that includes ATH434 for Parkinsonian diseases, PBT2 for alternative indications and the development of other compounds.

Our actual cash requirements may vary materially from those now planned and will depend upon numerous factors, including:

- the continued progress of our research and development programs;
- the timing, scope, results and costs of nonclinical studies and clinical trials;
- the cost, timing and outcome of regulatory submissions and approvals;
- determinations as to the commercial potential of our product candidates;
- our ability to successfully expand our contract manufacturing services;
- our ability to establish and maintain collaborative arrangements; and
- the status and timing of competitive developments.

If we fail to generate revenue and eventually become and remain profitable, or if we are unable to fund our continuing losses, our shareholders could lose all or part of their investments.

We will need additional funding to complete our clinical trials and to operate our business; such funding may not be available or, if it is available, such financing is likely to substantially dilute our existing shareholders.

During the year ended June 30, 2022 we raised A\$17,176,040 from the sale of our ordinary shares pursuant to our 'At-the-market' (ATM) facility. We will need to secure additional financing in order to continue to meet our longer-term business objectives, including advancement of our research and development programs and we may also require additional funds to pursue regulatory clearances, defend our intellectual property rights, establish commercial scale manufacturing facilities, develop marketing and sales capabilities and fund operating expenses. We intend to seek such additional funding through public or private financings and/or through licensing of our assets or strategic alliances or other arrangements with corporate partners.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never achieve, we expect to finance our cash needs primarily through public or private equity offerings, debt financings or through strategic alliances. We cannot be certain that additional funding will be available on acceptable terms or at all. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of, or eliminate one or more of our clinical trials, collaborative research or development programs or future commercialisation initiatives. In addition, any additional funding that we do obtain will dilute the ownership held by our existing security holders. The amount of this dilution may be substantially increased if the trading price of our shares are lower at the time of any financing. Regardless, the economic dilution to shareholders will be significant if our stock price does not increase significantly, or if the effective price of any sale is below the price paid by a particular shareholder. Any debt financing could involve substantial restrictions on activities and creditors could seek a pledge of some or all of our assets. We have not identified potential sources for the additional financing that we will require, and we do not have commitments from any third parties to provide any future financing. If we fail to obtain additional funding as needed, we may be forced to cease or scale back operations, and our results, financial condition and stock price would be adversely affected.

Risks Related to Our Business

We are a development stage company engaged in the development of pharmaceutical products and our success is uncertain.

We are a development stage company whose pharmaceutical products are designed to treat neurodegenerative diseases. We have not advanced the development of any of our candidate products to market nor generated revenues from their commercial application. Our current or any future product candidates, if successfully developed, may not generate sufficient or sustainable revenues to enable us to be profitable.

The spread of COVID-19 and government efforts to control the effect and spread of the COVID-19 virus have had and will have a disruptive effect on different aspects of our business.

The spread of COVID-19 has impacted the world economy and the jurisdictions in which we conduct our business. Jurisdictions in which we conduct our business have variously imposed mandates and/or regulations or implemented measures to counter the spread of the COVID-19 virus to control the impact of the pandemic on public health and their respective economies.

These control measures collectively have changed over the course of the pandemic and are expected to continue to evolve in response to the changing nature of the pandemic and its impact on public health and economic growth. Moreover, the emergence of variants of the COVID virus, caused by mutations, has led to a resurgence in infections and prompted renewed uncertainty. We have been affected in a number of ways, such as the way in which we operate our headquarters operations, interact with our scientists and their activities, and planning for and carrying out clinical trials, all of which have experienced some short-term disruption and may suffer long-term changes in the way we will do business. Actions such as government lock downs have slowed or, in some cases, temporarily stopped research and development activities and clinical trials. Various safety protocols for personal interactions may hamper research and development activities. Since we are mostly focused on the activities related to research and development, we have not experienced the larger adverse economics of a slowed economy; however, we do expect that time lines for our research and development, clinical trials, regulatory approvals and bringing our products to market may cause our operational costs to be greater than anticipated in this current fiscal year and going forward. The financial effect will be that our development expenses may increase and we may have to obtain additional capital funding. Any required additional equity funding will be dilutive to the equity of our investors and debt financing will have restrictive covenants that could adversely affect our business plans and operational objectives. Any further funding that we may need may not be available or even if available it may not be on terms that are acceptable to us.

We rely on research institutions to conduct our clinical trials and we may not be able to secure and maintain research institutions to conduct our future trials. In addition to government efforts relating to the COVID-19 pandemic, the institutions that we work with have their own limits and procedures that may influence or limit our ability to conduct research and development and the conduct of clinical trials.

Our reliance upon research institutions, including public and private hospitals and clinics, provides us with less control over the timing and cost of clinical trials, clinical study management personnel and the ability to recruit subjects. If we are unable to reach agreements with suitable research institutions on acceptable terms, or if any resulting agreement is terminated, we may be unable to secure, maintain or quickly replace the research institution with another qualified institution on acceptable terms.

In addition to the government mandates for controlling the many different health and economic effects of the COVID-19 virus and pandemic, individual institutions with which we work, such as hospitals, laboratories and educational institutions have taken actions that have disrupted the progress of our business plans and the operations of our business. Many educational institutions and laboratories curtailed or limited access to their facilities since the pandemic began and; we expect that going forward there will continue to be strict limitations on access to these institutions and facilities for our researchers and research partners. Overall, changes in the way our development activities can be conducted will result in delays in our conducting research activities, carrying out clinical trials and making regulatory submissions. As a consequence, we anticipate our costs will increase. In many respects, there is great uncertainty in the general effects resulting from the governmental and private response to the pandemic, and only the passage of time will reveal its full effects.

We are faced with uncertainties related to our research.

Our research programs are based on scientific hypotheses and experimental approaches that may not lead to desired results. In addition, the timeframe for obtaining proof of principle and other results may be considerably longer than originally anticipated, or may not be possible given time, resource, financial, strategic and collaborator scientific constraints. Success in one stage of testing is not necessarily an indication that a particular program will succeed in later stages of testing and development. It is not possible to predict whether any of the candidate products designed for these programs will prove to be safe, effective, and suitable for human use. Each candidate product will require additional research and development, scale-up, formulation and extensive clinical testing in humans. Unsatisfactory results obtained from any of these activities relating to a program may cause us to abandon our commitment to that program or product candidate being tested. The discovery of toxicities, lack of sufficient efficacy, unacceptable pharmacology, inability to increase scale of manufacture, market attractiveness, regulatory hurdles, competition, as well as other factors, may make our targets, lead therapies or product candidates unattractive for further development or unsuitable for human use, and we may abandon our commitment to that program, target, or product candidate.

Clinical trials as they relate to our business are expensive and time consuming and their outcome is uncertain.

In order to obtain approvals to market a new drug product, we or our potential partners must demonstrate proof of safety and efficacy in humans. To meet these requirements, we or our potential partners will have to conduct extensive non-clinical testing and “adequate and well-controlled” clinical trials. Conducting clinical trials is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity, novelty and intended use of the product candidate, and often can be several years or more per trial. Even if we obtain positive results from such non-clinical or initial clinical trials, we may not achieve the same success in future trials. Clinical trials may not demonstrate adequate safety or sufficient effectiveness to obtain the requisite regulatory approvals for product candidates employing our technology. The failure of clinical trials to demonstrate safety and efficacy for a particular desired indication could harm development of that product candidate for other indications as well as other product candidates.

We expect to commence new clinical trials from time to time as our product development work continues. Any change in, or termination of, our clinical trials could materially harm our business, financial condition and results of operations.

We may experience delays in our clinical trials that could adversely affect our business and operations.

We do not know whether planned clinical trials will begin on time or whether we will complete any of our clinical trials on schedule or at all. Our ability to commence and complete clinical trials may be delayed by many factors, including:

- government or regulatory delays, including delays in obtaining approvals from applicable hospital ethics committees and internal review boards;
- delays due to the measures for COVID-19 pandemic containment and conduct of business;
- slower than expected patient enrollment;
- our inability to manufacture sufficient quantities of our new proprietary compound or our other product candidates or matching controls;
- unforeseen safety issues; or
- lack of efficacy or unacceptable toxicity during the clinical trials or non-clinical studies.

Patient enrollment is a function of, among other things, the nature of the clinical trial protocol, the existence of competing protocols, the size and longevity of the target patient population, and the availability of patients who comply with the eligibility criteria for the clinical trial. Delays in planned patient enrollment may result in increased costs, delays or termination of the clinical trials. Moreover, we rely on third parties such as clinical research organisations to assist us in clinical trial management functions including; clinical trial database management, statistical analyses, site management and monitoring. Any failure by these third parties to perform under their agreements with us may cause the trials to be delayed or result in a failure to complete the trials.

If we experience delays in testing or approvals or if we need to perform more, larger or more complex clinical trials than planned, our product development costs will likely increase. Significant delays could adversely affect the commercial prospects of our product candidates and our business, financial condition and results of operations.

We may not be able to complete the development of our products candidates or develop other pharmaceutical products.

We may not be able to progress with the development of our current or any future pharmaceutical product candidates to a stage that will attract a suitable collaborative partner for the development of any current or future pharmaceutical product candidates. The projects initially specified in connection with any such collaboration and any associated funding may change or be discontinued as a result of changing interests of either the collaborator or us, and any such change may change the budget for the projects under the collaboration. Additionally, our research may not lead to the discovery of additional product candidates, and any of our current and future product candidates may not be successfully developed, prove to be safe and efficacious in clinical trials, meet applicable regulatory standards and receive regulatory approval, be capable of being produced in commercial quantities at reasonable costs, or be successfully or profitably marketed, either by us or a collaborative partner. The products we develop may not be able to penetrate the potential market for a particular therapy or indication or gain market acceptance among health care providers, patients and third-party payers. We cannot predict if or when the development of our current product candidates or any future product candidates will be completed or commercialised, whether funded by us, as part of a collaboration or through a grant.

We may need to prioritise the development of our most promising candidates at the expense of the development of other products.

We may need to prioritise the allocation of development resources and/or funds towards what we believe to be our most promising candidate product or products. The nature of the drug development process is such that there is a constant availability of new information and data which could positively or adversely affect a product in development. We cannot predict how such new information and data may impact in the future the prioritisation of the development of our current or future product candidates or that any of our products, regardless of its development stage or the investment of time and funds in its development, will continue to be funded or developed.

Our research and development efforts will be seriously jeopardised if we are unable to retain key personnel and cultivate key academic and scientific collaborations.

Our future success depends to a large extent on the continued services of our senior management and key scientific personnel. We have entered into employment or consultancy agreements with these individuals. The loss of their services could negatively affect our business. Competition among biotechnology and pharmaceutical companies for qualified employees is intense, including competition from larger companies with greater resources, and we may not be able to continue to attract and retain qualified management, technical and scientific personnel critical to our success. Our success is highly dependent on our ability to develop and maintain important relationships with leading academic institutions and scientists who conduct research at our request or assist us in formulating our research and development strategies. These academic and scientific collaborators are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, these collaborators may have arrangements with other companies to assist such companies in developing technologies that may prove competitive to ours.

If we are unable to successfully keep pace with technological change or with the advances of our competitors, our technology and products may become obsolete or non-competitive.

The biotechnology and pharmaceutical industries are subject to rapid and significant technological change. Our competitors are numerous and include major pharmaceutical companies, biotechnology firms, universities and other research institutions. These competitors may develop technologies and products that are more effective than any that we are developing, or which would render our technology and products obsolete or non-competitive. Many of these competitors have greater financial and technical resources and manufacturing and marketing capabilities than we do. In addition, many of our competitors have much more experience than we do in pre-clinical testing and human clinical trials of new or improved drugs, as well as in obtaining regulatory approvals.

We know that competitors are developing or manufacturing various technologies or products for the treatment of diseases that we have targeted for product development. Some of these competitive products use therapeutic approaches that compete directly with our product candidates. Our ability to further develop our products may be adversely affected if any of our competitors were to succeed in obtaining regulatory approval for their competitive products sooner than us.

Acceptance of our products in the marketplace is uncertain, and failure to achieve market acceptance will negatively impact our business and operations.

Our current or future candidate products may not achieve market acceptance even if they are approved by regulatory authorities. The degree of market acceptance of such products will depend on a number of factors, including:

- the receipt and timing of regulatory approvals for the uses that we are studying;
- the establishment and demonstration to the medical community of the safety, clinical efficacy or cost-effectiveness of our product candidates and their potential advantages over existing therapeutics and technologies; and
- the pricing and reimbursement policies of governments and third-party payors.

Physicians, patients, payors or the medical community in general may be unwilling to accept, use or recommend any of our products.

We lack the resources to manufacture any of our product candidates and rely on collaborators and third party contractors. Delays in manufacturing sufficient quantities of such materials to the required standards for pre-clinical and clinical trials may negatively impact our business and operations.

We lack the resources to manufacture any of our product candidates on a clinical or commercial scale and do not currently have, nor do we plan to acquire the infrastructure or capability internally to manufacture our clinical drug supplies for use in the conduct of our clinical trials. We rely on collaborators and/or third parties for development, scale-up, formulation, optimisation, management of clinical trial and commercial scale manufacturing and commercialisation. There are no assurances we can scale-up, formulate or manufacture any product candidate in sufficient quantities with acceptable specifications for the conduct of our clinical trials or for the regulatory agencies to grant approval of such product candidate. We have not yet commercialized any products and have no commercial manufacturing experience. To be successful, our products must be properly formulated, scalable, stable and safely manufactured in clinical trial and commercial quantities in compliance with good manufacturing practices (“GMP”) and other regulatory requirements and at acceptable costs. Should any of our suppliers or our collaborators be unable to supply or be delayed in supplying us with sufficient supplies due to the COVID-19 pandemic or other causes, no assurance can be given that we will be able to find alternative means of supply in a short period of time. Should such parties’ operations suffer a material adverse event, the manufacturing of our products would also be adversely affected. Furthermore, key raw materials could become scarce or unavailable. We may not be able to meet specifications previously established for product candidates during scale-up and manufacturing.

There may be a limited number of third parties who can manufacture our products. Our reliance on third parties to manufacture our product candidates will expose us and our partners to risks including the following, any of which could delay or prevent the commercialisation of our products, result in higher costs, or deprive us of potential product revenue:

- Contract manufacturers can encounter difficulties in achieving the scale-up, optimisation, formulation, or volume production of a compound as well as maintaining quality control with appropriate quality assurance. They may also experience shortages of qualified personnel. Contract manufacturers are required to undergo a satisfactory GMP inspection prior to regulatory approval and are obliged to operate in accordance with the U.S. Food & Drug Administration (“FDA”), International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (“ICH”), European and other nationally mandated GMP regulations and/or guidelines governing manufacturing processes, stability testing, record keeping and quality standards. A failure of these contract manufacturers to follow GMP and to document their adherence to such practices or failure of an inspection by a regulatory agency may lead to significant delays in the availability of our product candidate materials for clinical study, leading to delays in our trials.
- For each of our current product candidates we will initially rely on a limited number of contract manufacturers. Changing these or identifying future manufacturers may be difficult. Changing manufacturers requires re-validation of the manufacturing processes and procedures in accordance with FDA, ICH, European and other mandated GMP regulations and/or guidelines. Such re-validation may be costly and time-consuming. It may be difficult or impossible for us to quickly find replacement manufacturers on acceptable terms, if at all.
- Our contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to produce, store and distribute our products successfully.

The failure to establish sales, marketing and distribution capability would materially impair our ability to successfully market and sell our pharmaceutical products.

We currently have no experience in marketing, sales or distribution of pharmaceutical products. If we develop any commercially marketable pharmaceutical products and decide to perform our own sales and marketing activities, we will require additional management, will need to hire sales and marketing personnel and will require additional capital. Qualified personnel may not be available in adequate numbers or at a reasonable cost. Further, our sales staff may not achieve success in their marketing efforts. Alternatively, we may be required to enter into marketing arrangements with other parties who have established appropriate marketing, sales and distribution capabilities. We may not be able to enter into marketing arrangements with any marketing partner, or if such arrangements are established, our marketing partners may not be able to commercialise our products successfully. Other companies offering similar or substitute products may have well-established and well-funded marketing and sales operations in place that will allow them to market their products more successfully. Failure to establish sufficient marketing capabilities would materially impair our ability to successfully market and sell our pharmaceutical products.

If healthcare insurers and other organisations do not pay for the products we hope to develop, or impose limits on reimbursement, our future business may suffer.

The drugs we hope to develop may be rejected by the marketplace due to many factors, including cost. The continuing efforts of governments, insurance companies, health maintenance organisations and other payors of healthcare costs to contain or reduce healthcare costs may affect our future revenues and profitability and those of our potential customers, suppliers and collaborative partners, as well as the availability of capital. In Australia and certain foreign markets, the pricing or profitability of prescription pharmaceuticals is already subject to government control. We expect initiatives for similar government control at both the state and federal level to continue in the United States and elsewhere. The adoption of any such legislative or regulatory proposals could adversely affect our business and prospects.

Our ability to commercially exploit our products successfully will depend in part on the extent to which reimbursement for the cost of our products and related treatment will be available from government health administration authorities, private health coverage insurers and other organisations. Third-party payors, such as government and private health insurers, are increasingly challenging the price of medical products and services. Uncertainty exists as to the reimbursement status of newly approved health care products and in foreign markets, including the United States. If third-party coverage is not available to patients for any of the products we develop, alone or with collaborators, the market acceptance of these products may be reduced, which may adversely affect our future revenues and profitability. In addition, cost containment legislation and reductions in government insurance programs may result in lower prices for our products and could materially adversely affect our ability to operate profitably.

We may be exposed to product liability claims, which could harm our business.

The testing, marketing and sale of human health care products also entails an inherent risk of product liability. We may incur substantial liabilities or be required to limit development or commercialisation of our candidate products if we cannot successfully defend ourselves against product liability claims. We have historically obtained no fault compensation insurance for our clinical trials and intend to obtain similar coverage for future clinical trials. Such coverage may not be available in the future on acceptable terms, or at all. This may result in our inability to pursue further clinical trials or to obtain adequate protection in the event of a successful claim. We may not be able to obtain product liability insurance in the event of the commercialisation of a candidate product or such insurance may not be available on commercially reasonable terms. Even if we have adequate insurance coverage, product liability claims or recalls could result in negative publicity or force us to devote significant time, attention and financial resources to those matters.

Breaches of network or information technology security, natural disasters or terrorist attacks could have an adverse effect on our business.

Cyber-attacks or other breaches of network or information technology (IT) security, natural disasters, terrorist acts or acts of war may cause equipment failures or disrupt our research and development operations. In particular, both unsuccessful and successful cyber-attacks on companies have increased in frequency, scope and potential harm in recent years. Such an event may result in our inability, or the inability of our partners, to operate the research and development facilities, which even if the event is for a limited period of time, may result in significant expenses and/or significant damage to our experiments and trials. We have been subject, and will likely continue to be subject, to attempts to breach the security of our networks and IT infrastructure through cyber-attack, malware, computer viruses and other means of unauthorised access. However, to date, we have not been subject to cyber-attacks or other cyber incidents which, individually or in the aggregate, resulted in a material impact to our operations or financial condition. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. In addition, a failure to protect employee confidential data against breaches of network or IT security could result in damage to our reputation. Any of these occurrences could adversely affect our results of operations and financial condition.

Risks Related to Government Regulation

If we do not obtain the necessary governmental approvals, we will be unable to develop or commercialise our pharmaceutical products.

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived from such activities will be, subject to regulation by numerous international regulatory authorities. Prior to marketing, any therapeutic product developed must undergo rigorous pre-clinical testing and clinical trials and, to the extent that any of our pharmaceutical products under development are marketed abroad, by the relevant international regulatory authorities. For example, in Australia, principally the Therapeutics Goods Administration, or TGA; the Food and Drug Administration, or FDA, in the United States; the Medicines and Healthcare products Regulatory Agency, or MHRA, in the United Kingdom; the Medical Products Agency, or MPA, in Sweden; and the European Medicines Agency, or EMA. These processes can take many years and require the expenditure of substantial resources. Governmental authorities may not grant regulatory approval due to matters arising from pre-clinical animal toxicology, safety pharmacology, drug formulation and purity, insufficient efficacy, clinical side effects or patient risk profiles, or medical contraindications.

Failure or delay in obtaining regulatory approvals would adversely affect the development and commercialisation of our pharmaceutical product candidates. We may not be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing our pharmaceutical product candidates.

Even if regulatory authorities approve any of our product candidates, the manufacture, labeling, storage, recordkeeping, reporting, distribution, advertising, promotion, marketing, sale, import and export of these drugs will be subject to strict and ongoing regulation. If we, our partners, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may suspend any ongoing clinical trials; issue warning letters or untitled letters; suspend or withdraw regulatory approval; refuse to approve pending applications or supplements to applications; suspend or impose restrictions on operations; seize or detain products, prohibit the export or import of products, or require us to initiate a product recall; seek other monetary or injunctive remedies; or impose civil or criminal penalties.

We will not be able to commercialise any current or future product candidates if we fail to adequately demonstrate their safety and efficacy.

Before obtaining regulatory approvals for the commercial sale of any of our pharmaceutical products, we must demonstrate through pre-clinical testing and clinical studies that our product candidates are safe and effective for use in humans for each target indication. Results from early clinical trials may not be predictive of results obtained in large-scale, later-stage clinical testing. Even though a candidate product shows promising results in clinical trials, regulatory authorities may not grant the necessary approvals without sufficient safety and efficacy data.

We may not be able to undertake further clinical trials of our current and future product candidates as therapies for Parkinsonian disorders or other indications or to demonstrate the safety and efficacy or superiority of any of these product candidates over existing therapies or other therapies under development, or enter into any collaborative arrangement to commercialise our current or future product candidates on terms acceptable to us, or at all. Clinical trial results that show insufficient safety and efficacy could adversely affect our business, financial condition and results of operations.

Positive results in a clinical trial of a product candidate may not be replicated in future clinical trials, which could result in development delays or a failure to obtain marketing approval.

Positive results in a clinical trial of a product candidate may not be predictive of similar results in future clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in late-stage clinical trials even after achieving promising results in early-stage development. Accordingly, the results from the completed pre-clinical studies and clinical trials for our product candidates may not be predictive of the results we may obtain in later stage trials. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials. Moreover, clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain FDA or EMA approval for their products.

Even if approved, any product candidates that we or our subsidiaries may develop and market may be later withdrawn from the market or subject to promotional limitations.

We may not be able to obtain the labeling claims necessary or desirable for the promotion of our product candidates if approved. We may also be required to undertake post-marketing clinical trials. If the results of such post-marketing studies are not satisfactory or if adverse events or other safety issues arise after approval, the FDA or a comparable regulatory agency in another country may withdraw marketing authorisation or may condition continued marketing on commitments from us or our subsidiaries that may be expensive or time consuming to complete. In addition, if we or others identify adverse side effects after any of our products are on the market, or if manufacturing problems occur, regulatory approval may be withdrawn and reformulation of our or our subsidiaries' products, additional clinical trials, changes in labeling of our or our subsidiaries' products and additional marketing applications may be required. Any reformulation or labeling changes may limit the marketability of such products if approved.

Healthcare reform measures and other statutory or regulatory changes could adversely affect our business.

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our business. For example, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 (collectively, the "ACA"), enacted in March 2010, substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. With regard to pharmaceutical products, among other things, the ACA is expected to expand and increase industry rebates for drugs covered under Medicaid programs and make changes to the coverage requirements under the Medicare D program. Legislative and regulatory proposals impacting upon the healthcare system are submitted regularly and the existing framework in force in various jurisdictions may not apply in the short to long term.

We still cannot fully predict the impact of the ACA on our company as many of the ACA reforms require the promulgation of detailed regulations implementing the statutory provisions which has not yet been completed, and the Centers for Medicare & Medicaid Services has publicly announced that it is analyzing the ACA regulations and policies that have been issued to determine if changes should be made. In addition, although the U.S. Supreme Court has upheld the constitutionality of most of the ACA, some states have stated their intentions to not implement certain sections of the ACA and some members of Congress are still working to repeal the ACA. These challenges add to the uncertainty of the changes enacted as part of the ACA. In addition, the current legal challenges to the ACA, as well as Congressional efforts to repeal the ACA, add to the uncertainty of the legislative changes enacted as part of the ACA.

If we fail to comply with our reporting and payment obligations under the Medicaid program or other governmental pricing programs, we could be subject to additional reimbursement requirements, penalties, sanctions and fines which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Pricing and rebate calculations vary among products and programs. The calculations are complex and will often be subject to interpretation by us, governmental or regulatory agencies and the courts. If we become aware that our reporting of pricing data for a prior quarter was incorrect, we will be obligated to resubmit the corrected data. For the Medicaid drug rebate program, corrected data must be submitted for a period not to exceed twelve quarters from the quarter in which the data originally were due. Such restatements and recalculations increase our costs for complying with the laws and regulations governing the Medicaid drug rebate program and other governmental pricing programs.

We may be liable for errors associated with our submission of pricing data. If we are found to have knowingly submitted false pricing data to the Medicaid program, we may be liable for civil monetary penalties in the amount of up to U.S.\$100,000 per item of false information. Our failure to submit pricing data to the Medicaid program on a timely basis could result in a civil monetary penalty of U.S.\$10,000 per day for each day the information is late. Such failure also could be grounds to terminate our Medicaid drug rebate agreement, which is the agreement under which we might participate in the Medicaid drug rebate program. In the event that our rebate agreement is terminated, federal payments may not be available under Medicaid for our covered outpatient drugs. We cannot assure you that our submissions will not be found to be incomplete or incorrect.

If we obtain FDA approval for any of our product candidates and begin commercializing those products in the United States, our operations may be directly or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act, and physician sunshine laws and regulations.

The pharmaceutical and biotechnology industries are subject to extensive regulation, and from time to time legislative bodies and governmental agencies consider changes to such regulations that could have significant impact on industry participants. For example, in light of certain highly-publicised safety issues regarding certain drugs that had received marketing approval, the U.S. Congress has considered various proposals regarding drug safety, including some which would require additional safety studies and monitoring and could make drug development more costly. The implementation of cost containment measures or other healthcare system reforms may prevent us from being able to generate revenue, attain profitability, or commercialise our products. Such reforms could have an adverse effect on anticipated revenues from product candidates that impact we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates. In addition, it is possible that there will be further legislation or regulation that could harm our business, financial condition and several results of operations.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act.

Our business operations may be subject to anti-corruption laws and regulations, including restrictions imposed by the U.S. Foreign Corrupt Practices Act (the "FCPA"). The FCPA and similar anti-corruption laws in other jurisdictions such as the U.K. Bribery Act generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. We cannot provide assurance that our internal controls and procedures will always protect us from criminal acts committed by our employees or third parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, either due to our own acts or out of inadvertence, or due to the acts or inadvertence of others, we could suffer from criminal or civil penalties which could have a material and adverse effect on our results of operations, financial condition and cash flows.

Risks Related to Intellectual Property

Our success depends upon our ability to protect our intellectual property and our proprietary technology, to operate without infringing the proprietary rights of third parties and to obtain marketing exclusivity for our products and technologies.

Any future success will depend in large part on whether we can:

- obtain and maintain patents to protect our own product candidates and technologies;
- obtain licenses to the patented technologies of third parties;
- operate without infringing on the proprietary rights of third parties; and
- protect our trade secrets, know-how and other confidential information.

Patent matters in biotechnology are highly uncertain and involve complex legal and factual questions. Accordingly, the availability and breadth of claims allowed in biotechnology and pharmaceutical patents cannot be predicted. Any of the pending or future patent applications filed by us or on our behalf may not be approved, we may not develop additional proprietary products or processes that are patentable, or we may not be able to license any other patentable products or processes.

Our products may be eligible for orphan designation for particular therapeutic indications that are of relatively low prevalence and for which there is no effective treatment. Orphan drug designation affords market exclusivity post marketing authorisation for a product for a specified therapeutic utility. The period of orphan protection is dependent on jurisdiction, for example, seven years in the United States and ten years in Europe. The opportunity to gain orphan drug designation depends on a variety of requirements specific to each marketing jurisdiction and can include; a showing of improved benefit relative to marketed products, that the mechanism of action of the product would provide plausible benefit and the nature of the unmet medical need within a therapeutic indication. It is uncertain if our products will be able to obtain orphan drug designation for the appropriate indications and in the jurisdictions sought.

There is a risk that the U.S. Congress, for example, could amend laws to significantly shorten the exclusivity period. Once any regulatory period of exclusivity expires, depending on the status of our patent coverage and the nature of the product, we may not be able to prevent others from marketing products that are similar to or interchangeable with our products, which would materially adversely affect us.

Our commercial success will also depend, in part, on our ability to avoid infringement of patents issued to others. If a court determines that we were infringing any third-party patents, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities. Licenses required under patents held by third parties may not be made available on terms acceptable to us or at all. To the extent that we are unable to obtain such licenses, we could be foreclosed from the development, export, manufacture or commercialisation of the product requiring such license or encounter delays in product introductions while we attempt to design around such patents, and any of these circumstances could adversely affect our business, financial condition and results of operations.

We may have to resort to litigation to enforce any patents issued or licensed to us or to determine the scope and validity of third-party proprietary rights. We may have to defend the validity of our patents in order to protect or enforce our rights against a third party. Third parties may in the future assert against us infringement claims or claims that we have infringed a patent, copyright, trademark or other proprietary right belonging to them. Any infringement claim, even if not meritorious, could result in the expenditure of significant financial and managerial resources and could negatively affect our profitability. While defending our patents, the scope of the claim may be reduced in breadth and inventorship of the claimed subject matter, and proprietary interests in the claimed subject matter may be altered or reduced. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Any such litigation, regardless of outcome, could be expensive and time consuming, and adverse determinations in any such proceedings could prevent us from developing, manufacturing or commercialising our products and could adversely affect our business, financial condition and results of operations.

The patents for our product candidates have varying expiration dates and, if these patents expire, we may be subject to increased competition and we may not be able to recover our development costs or market any of our approved products profitably. In some of the larger potential market territories, such as the United States and Europe, patent term extension or restoration may be available to compensate for time taken during aspects of the product's development and regulatory review or by procedural delays before the relevant patent office. However, such an extension may not be granted, or if granted, the applicable time period or the scope of patent protection afforded during any extension period may not be sufficient. In addition, even though some regulatory authorities may provide some other exclusivity for a product under their own laws and regulations, we may not be able to qualify the product or obtain the exclusive time period. If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patents.

We may face difficulties in certain jurisdictions in protecting our intellectual property rights, which may diminish the value of our intellectual property rights in those jurisdictions.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in the United States and the European Union, and many companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If we or our collaboration partners encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired and our business, financial condition and results of operations may be adversely affected.

Intellectual property rights do not address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately permit us to maintain our competitive advantage. The following examples are illustrative:

- Others may be able to make products that are similar to ours but that are not covered by the claims of the patents that we own.
- Others may independently develop similar or alternative technologies or otherwise circumvent any of our technologies without infringing our intellectual property rights.
- We or any of our collaboration partners might not have been the first to conceive and reduce to practice the inventions covered by the patents or patent applications that we own, license or will own or license.

- We or any of our collaboration partners might not have been the first to file patent applications covering certain of the patents or patent applications that we or they own or have obtained a license, or will own or will have obtained a license.
- It is possible that our pending patent applications will not result in issued patents.
- Issued patents that we own may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors.
- Our competitors might conduct research and development activities in countries where we do not have patent rights, or in countries where research and development safe harbor laws exist, and then use the information learned from such activities to develop competitive products for sale in our major commercial markets.
- The patents of third parties or pending or future applications of third parties, if issued, may have an adverse effect on our business.
- Compulsory licensing provisions of certain governments to patented technologies that are deemed necessary for the government to access.

Changes in patent laws or patent jurisprudence could diminish the value of our patents, thereby impairing our ability to protect our products or product candidates.

As is the case with other biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involves both technological and legal complexity, it is costly, time-consuming and inherently uncertain. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office, or USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Similarly, the complexity and uncertainty of European patent laws has also increased in recent years. In addition, the European patent system is relatively stringent with regard to the type of amendments that are allowed during prosecution. These changes could limit our ability to obtain new patents in the future that may be important for our business.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and protect our other proprietary information.

We consider proprietary trade secrets and/or confidential know-how and unpatented know-how to be important to our business. We may rely on trade secrets and/or confidential know-how to protect our technology, especially where patent protection is believed by us to be of limited value. However, trade secrets and/or confidential know-how can be difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. However, current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third-party obtained illegally and is using trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction.

Failure to obtain or maintain trade secrets and/or confidential know-how trade protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and/or confidential know-how.

Risks Related to Our Compliance with the Sarbanes-Oxley Act of 2002

We may fail to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which could adversely affect our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADSs.

The Sarbanes-Oxley Act of 2002 imposes certain duties on us and our executives and directors. To comply with this statute, we are required to document and test our internal control over financial reporting. Our efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, governing internal control and procedures for financial reporting, have resulted in increased general and administrative expenses and a diversion of management time and attention, and we expect these efforts to require the continued commitment of significant resources. We may identify material weaknesses or significant deficiencies in our assessments of our internal control over financial reporting. Failure to maintain effective internal control over financial reporting could result in investigations or sanctions by regulatory authorities and could adversely affect our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADSs.

Material weaknesses in our disclosure controls and procedures could negatively affect shareholder and customer confidence.

Under Sarbanes-Oxley, we are required to assess the effectiveness of our disclosure controls and procedures (as defined in Sarbanes-Oxley) on an annual basis. If we were to conclude that our disclosure controls and procedures were ineffective, shareholder and customer confidence could be negatively affected, which could have a material adverse impact on the market price of our ordinary shares and ADSs.

Risks Related to Ownership of Our Securities

Our stock price may be volatile and the trading market for our securities is limited.

The market price for our securities, like that of the securities of other pharmaceutical and biotechnology companies, has fluctuated substantially and may continue to be highly volatile in the future. During the last two fiscal years ended June 30, 2022 and subsequently until August 31, 2022, the market price for our ordinary shares on the ASX has ranged from as low as A\$0.012 to a high of A\$0.059 and the market price of our ADSs on the NASDAQ Capital Market has ranged from as low as U.S.\$0.28 to a high of U.S.\$5.15. The market price for our securities has been affected by both broad market developments and announcements relating to actual or potential developments concerning products under development. We believe that the following factors, in addition to other risk factors described above and elsewhere in this annual report, will continue to significantly affect the market price of our ordinary shares:

- the results of pre-clinical testing and clinical trials by us and our competitors;
- developments concerning research and development, manufacturing, and marketing alliances or collaborations by us and our competitors;
- announcements of technological innovations or new commercial products by us and our competitors;
- determinations regarding our patent applications, patents and those of others;
- publicity regarding actual or potential results relating to medicinal products under development by us and our competitors;

- proposed governmental regulations and developments in Australia, the U.S. and elsewhere;
- litigation;
- economic and other external factors; and
- period-to-period fluctuations in our operating results.

In addition, stock markets have experienced extreme price and volume fluctuations. These fluctuations have especially affected the stock market price of many high technology and healthcare related companies, including pharmaceutical and biotechnology companies, and, in many cases, are unrelated to the operating performance of the particular companies. Market fluctuations, as well as general political and economic conditions, such as a recession, interest rate or currency rate fluctuations, could adversely affect the market price of our securities.

Ownership interest in our company may be further diluted as a result of additional financings.

We will likely seek to raise funds from time to time in public or private issuances of equity, and such financings may take place in the near future or over the longer term. On October 13, 2016, we entered into an At-Market Issuance Sales Agreement, for an at-market offering program under which we may from time to time sell up to an aggregate of U.S.\$44,460,787 of our ordinary shares represented by ADSs. On November 8, 2017 we entered into Amendment No. 1 to our At-Market Issuance Sales Agreement to continue the at-market offering program which we may from time to time sell up to an aggregate of \$50,000,000 of our ordinary shares represented by ADSs. From July 1, 2018 until July 1, 2020, we sold U.S.\$5,124,764 of additional ordinary shares under this program. On December 16, 2020 we entered into Amendment No. 2 to our At-Market Issuance Sales Agreement to continue the at-market offering program which we may from time to time sell up to an aggregate of \$50,000,000 of our ordinary shares represented by ADSs. From February 10, 2021 to date, we sold U.S.\$14,952,731 of additional ordinary shares under this program. Since the inception of our At-The-Market” facility in 2011 and to date we sold an aggregate of 800,813,950 ordinary shares under this facility and raised a total of A\$73.9 million (U.S.\$62.6 million) in gross proceeds.

Without shareholder approval, we may not issue more than 25% of our outstanding ordinary shares in any twelve month period other than by a pro rata rights offering or a share purchase plan offer (of shares with a value at the issue price of up to A\$15,000 per shareholder to a maximum of 30% of our outstanding shares) in each case to the then existing shareholders in accordance with the listing rules of the ASX. Sales of our ADSs offered through our “At-The-Market” facility and future equity offerings may result in substantial dilution to the interests of our current shareholders. The sale of a substantial number of securities to investors, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

There is a substantial risk that we are a passive foreign investment company, or PFIC, to some U.S. investors which will subject those investors to adverse tax rules

Holders of our ADSs who are U.S. residents face income tax risks. There is a substantial risk that we are a passive foreign investment company, commonly referred to as a PFIC to some U.S. investors, and a controlled foreign corporation, or CFC to other U.S. investors. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ADSs and would likely cause a reduction in the value of such ADSs. For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that we became a PFIC during the taxable year ended June 30, 2005, and were classified as a PFIC during each of the following fiscal years. We believe that we once again will be classified as a PFIC for the taxable year ended June 30, 2022 for some U.S. investors. Highly complex rules will apply to U.S. holders owning ADSs. Accordingly, you are urged to consult your tax advisors regarding the application of such rules.

We do not anticipate paying dividends on our ordinary shares.

We have never declared or paid cash dividends on our ordinary shares and do not expect to do so in the foreseeable future. The declaration of dividends is subject to the discretion of our Board of Directors and will depend on various factors, including our operating results, financial condition, future prospects and any other factors deemed relevant by our board of directors. You should not rely on an investment in our company if you require dividend income from your investment in our company. The success of your investment will likely depend entirely upon any future appreciation of the market price of our ordinary shares, which is uncertain and unpredictable. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which you purchased your ordinary shares.

Currency fluctuations may adversely affect the price of our securities.

Our ordinary shares are quoted in Australian dollars on the ASX and our ADSs trade on the NASDAQ Capital Market in U.S. dollars. Movements in the Australian dollar/U.S. dollar exchange rate may adversely affect the U.S. dollar price of our ordinary shares. In the past year the Australian dollar strengthened against the U.S. dollar. If the Australian dollar weakens against the U.S. dollar, this may negatively affect the U.S. dollar price of our ordinary shares, even if the price of our ordinary shares in Australian dollars decreases or remains unchanged. If the Australian dollar further strengthens against the U.S. dollar, the U.S. dollar price of the ordinary shares could increase, even if the price of our ordinary shares in Australian dollars decreases or remains unchanged.

If we fail to maintain compliance with NASDAQ's continued listing requirements, our shares may be delisted from the NASDAQ Capital Market.

Our ordinary shares are quoted on the ASX and our ADSs trade on the NASDAQ Capital Market. To continue to be listed on the NASDAQ Capital Market, we need to satisfy a number of conditions, including a minimum closing bid price per ADS of \$1.00 for 30 consecutive business days and shareholders' equity of at least \$2.5 million.

On February 23, 2022 we received notification from the Listing Qualifications Department of NASDAQ advising the company that it was non-compliant with NASDAQ's requirements that listed securities maintain a minimum bid price of \$US1.00 per share on NASDAQ as outlined in the NASDAQ Listing Rules. The company has received an extension to regain compliance until February 20, 2023. If, at any time before February 20, 2023, the bid price for our ADSs closes at \$US1.00 or more for a minimum of 10 consecutive business days, NASDAQ will provide written notification to the company that it complies with the bid price rule, unless the NASDAQ staff exercises its discretion to extend this 10-day period pursuant to Nasdaq Listing Rule 5810(c)(3)(F).

While the company notified NASDAQ of its intention to cure the deficiency by effecting a reverse stock split, if necessary, we could fail to meet this, or other NASDAQ continued listing requirements, resulting in the delisting of our ADSs from NASDAQ. If we are delisted from NASDAQ, trading in our ordinary shares could be conducted on a U.S. market where an investor would likely find it significantly more difficult to dispose of, or to obtain accurate quotations as to the value of, our ordinary shares (such delisting should not affect the trading over the ASX).

Risks Related to Our Location in Australia

It may be difficult to enforce a judgment in the United States against us and our officers and directors or to assert U.S. securities laws claims in Australia or serve process on our officers and directors.

We are incorporated in Australia. More than half of our executive officers and directors are non-residents of the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws in an Australian court against us or any of those persons or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to enforce civil liabilities under U.S. federal securities laws in original actions instituted in Australia.

As a foreign private issuer whose shares are listed on The NASDAQ Capital Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Stock Market Rules. Among other things, as a foreign private issuer we may follow home country practice with regard to the composition of the board of directors, director nomination procedure, and quorum at shareholders' meetings. In addition, we may follow our home country law, instead of the NASDAQ Stock Market Rules, which require that we obtain shareholder approval for certain dilutive events such as for the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company, and certain acquisitions of the stock or assets of another company. A foreign private issuer that elects to follow a home country practice instead of NASDAQ requirements must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the SEC each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules

We currently do not have a majority of independent directors serving on our Board of Directors, which may afford less protection to our shareholders than if our Board of Directors had a majority of independent directors.

As of the date of this annual report, a majority of our directors did not satisfy the standards for independence as specified by the SEC and the listing standards of The Nasdaq Stock Market pursuant to which we evaluate director independence. If our Board of Directors is not made up of a majority of independent directors, there may be a lower level of oversight on executive management, and our Board of Directors may be influenced by the concerns, issues or objectives of management, including compensation and governance issues, to a greater extent than would occur with a majority of independent directors. As a result, the composition of our Board of Directors may afford less protection to our shareholders than if our Board of Directors were composed of a majority of independent directors.

A lack of independent directors may also make it difficult to create board committees meeting the requirements of our board committee charters and the NASDAQ Rules pursuant to which we evaluate director independence. Historically, we have strived to have an audit committee comprised of at least three independent directors and other board committees comprised solely of independent directors. Currently, our audit committee has only two members, both of who are independent under the NASDAQ Rules and applicable SEC requirements. Due to the lack of independent directors, it may be difficult to establish effective operating board committees comprised of independent members to oversee committee functions. This structure gives our executive officers additional control over certain corporate governance issues, including compensation matters and audit issues for internal control and reporting purposes, with more limited oversight of our executive officers' decisions and activities.

Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares.

We are incorporated in Australia and are subject to the takeover's laws of Australia. Among other things, we are subject to the Australian Corporations Act 2001, or the Corporations Act. Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person's voting power in us increasing from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares. This may have the ancillary effect of entrenching our board of directors and may deprive or limit our shareholders' strategic opportunities to sell their ordinary shares and may restrict the ability of our shareholders to obtain a premium from such transactions.

Our Constitution and other Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.

As an Australian company we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our Constitution, as well as the Corporations Act, set forth various rights and obligations that are unique to us as an Australian company. These requirements operate differently than from many U.S. companies and may limit or otherwise adversely affect our ability to take actions that could be beneficial to our shareholders. For more information, you should carefully review the summary of these matters set forth under the section entitled, "Item 10.B - Additional Information - Memorandum and Articles of Association" as well as our Constitution.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our legal and commercial name is Altery Therapeutics Limited (formerly Prana Biotechnology Limited). We were incorporated under the laws of the Commonwealth of Australia on November 11, 1997 and began limited operations shortly thereafter. On April 8, 2019, we changed our name to Altery Therapeutics Limited. Our registered office is located at Level 3, 62 Lygon Street, Carlton, Victoria, 3053, Australia and our telephone number is +61-3-9824-5254. Our principal executive office is located at Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia and our telephone number is +61-3-9349-4906. Our website address is www.alteritytherapeutics.com. The information in our website is not incorporated by reference into this annual report.

Altery's mission from inception was to treat neurodegenerative diseases and its mission has remain focused on this class of diseases.

Altery is developing first-in-class therapies to treat neurodegenerative diseases. Our lead drug candidate, ATH434, is designed to block the accumulation and aggregation of α -synuclein, a protein implicated in neurodegeneration. ATH434 has been shown preclinically to reduce α -synuclein pathology, preserve nerve cells, and improve motor function by restoring normal iron balance in the brain. In this way, it has potential to treat Parkinson's disease as well as Multiple System Atrophy (MSA), a rare Parkinsonian disorder. The company has been granted Orphan drug designation for ATH434 for the treatment of MSA by both the US FDA and European Commission. The exclusivity conferred by the Orphan drug designation is expected to persist beyond the term of the patents comprising the ATH434 global patent portfolio.

Phase 1 enabling studies have been completed and we have commenced a randomized, double-blind, placebo-controlled Phase 2 clinical trial with recruitment of patients underway. The global trial has received regulatory authorization to proceed in New Zealand, Italy, and the UK, with additional regulatory approvals expected to be established in this financial year.

Our technology is the outcome of many years of intense research from leading scientists in neurodegenerative disorders and other diseases. Beginning with the discovery and patenting of our initial clinical drug candidate, PBT2, the company continued to apply its expertise to inventing and patenting novel molecules with potential to treat neurodegenerative diseases which resulted in ATH434 (see above).

In 2019 and 2020, the Company invented next generation iron chaperones, a technology capable of redistributing excess iron in the central nervous system including for the treatment of Alzheimer's disease and Parkinson's disease. These compounds are the subject of composition of matter claims in patent families which either are filed in countries and regions that represent the commercially significant economies or are earmarked to be filed in those countries.

In 2021, the Company invented next generation zinc ionophores, a technology capable of modulating zinc for the treatment of various diseases such as cancer, neurological diseases and infectious diseases. These compounds are the subject of composition of matter claims in a patent family which is earmarked for filing in countries and regions that represent the commercially significant economies.

Our technology has progressed to create a diversified library of chemical compounds and we continue to strengthen our intellectual property portfolio with new patents generated by our discovery and research efforts. This may yield future product candidates across various neurodegenerative and other indications.

Since inception, we have not been required to invest material amounts for capital expenditures since our development efforts have taken place at research facilities operated by institutions with which we have relationships. In the three fiscal years ended June 30, 2022, our capital expenditures have totalled A\$116,363.

B. BUSINESS OVERVIEW

Alterity's Background

Our technology has been developed over an extended period and continues to develop through the collaborative efforts of highly regarded scientists, company employees as well as representatives of research institutions in this field.

Since completing our initial public offering and listing process of our ordinary shares on the ASX on March 28, 2000, we historically concentrated our resources toward the pursuit of our disease targets focused primarily in Alzheimer's disease, and creation of a chemical library of proprietary molecules. Our research efforts initially led to the discovery of a novel compound, PBT2, a low molecular weight molecule that demonstrated significant pre-clinical activity, and we currently have over 800 validated compounds from different chemical scaffolds in our chemical library. More recently, our research efforts have focused on identifying novel compounds that bind and redistribute labile iron that is increased in Parkinsonian diseases and thought to be implicated in their pathogenesis.

Since 2009, our chemistry program is undertaken within laboratories leased from The University of Melbourne's Bio21 Molecular Science and Biotechnology Institute, which is a multidisciplinary research center that specializes in medical, agricultural and environmental biotechnology. Accommodating more than 500 research scientists, students and industry participants, the Bio21 Institute is one of the largest biotechnology research centers in Australia.

Candidate product discovery and translational Biology Programs

Alterity's intellectual property is considered "platform technology" based on our approach that a broad spectrum of neurodegenerative and age-related diseases can be addressed by targeting the interrelationship of metals and proteins. Historically, the majority of our research efforts have been directed at research into potential therapeutics for the treatment of Alzheimer's disease, Huntington disease and Parkinsonian disorders. Published data together with our initial findings have provided strong indications that the pathology for other certain age-related and degenerative disorders may also be based on the interaction between certain metals and proteins, and we believe that the platform technology may also be applicable for certain cancers, age-related macular degeneration and other neurodegenerative diseases.

To date, we have performed *in vivo* evaluations of our product candidates in a range of animal models of disease including models of Alzheimer's disease, Huntington disease, Parkinsonian disorders, brain cancer and traumatic brain injury.

Product candidates are selected from our chemical library on the basis of rational drug design. Product candidates are designed to fulfil very specific criteria such as oral bioavailability and ability to cross the blood-brain barrier, and demonstrate significant effectiveness in both nonclinical *in vitro* and *in vivo* testing.

To increase the depth and breadth of our pipeline into new neurodegenerative indications, we have continued to develop our 'two tier' Translational Research program structure during the past year. The first tier encompasses core new chemical entity design, synthesis and characterization, the 'discovery phase' of the new entities as potential novel agents of interest based on their mechanism of action profile. Our discovery research has established Structure Activity Relationships ("SAR") within chemical moieties that guide our chemists towards the design of novel therapeutics. The discovery phase also includes preliminary bioavailability and metabolic characterization. The second tier comprises 'translational' animal modeling programs to test and validate new candidates as potential development product candidates.

Our chemical library currently includes more than 800 novel compounds. Using SAR that has been developed over years of testing and validation by Alterity scientists, new compounds are being generated that retain functionality across diverse and novel chemical scaffolds.

New compounds from various scaffolds are synthesised and mechanistically profiled. These compounds are initially screened for activity in biological systems relevant to the candidate diseases of interest. New screens are investigated and assessed for their ability to intercede in the steps thought to underly the pathogenesis of target diseases. Such steps include pathologic protein aggregation and downstream activities such as oxidative stress and cell death. Promising candidates arising from the Translational Research program may be progressed as back up compounds in Parkinsonian diseases and/or new indications in neurodegeneration including orphan diseases.

We have strengthened our intellectual property portfolio with three new patents that will be instrumental in supporting Alterity's drug development portfolio. In July and August of 2021, Alterity was granted two US patents on a total of 230 novel compounds that act as two new classes of iron chaperones designed to redistribute the excess iron implicated in many neurodegenerative diseases, including Parkinson's and Alzheimer's diseases. In June 2022, the company received a patent on the method of treating immunoglobulin light chain amyloidosis, a rare blood disorder caused by the overproduction of abnormal protein known as amyloid.

Multiple System Atrophy

We believe that drug candidates in our library may affect the aggregation of the proteins implicated in the pathology of neurodegenerative diseases including Parkinson's disease and related movement disorders such as Multiple system atrophy.

We are focusing on the treatment of Parkinsonian disorders, a group of neurodegenerative disorders which have Parkinsonism as a feature. Parkinsonism is a general term for slowed movement, stiffness and tremor, and occurs in idiopathic Parkinson disease and atypical forms such as Multiple system atrophy (MSA), Progressive Supranuclear Palsy, among others. The atypical forms of Parkinsonism have a limited response to available drugs for treating symptoms of Parkinson disease and prominent non-motor symptoms.

MSA is a rare, neurodegenerative disease characterized by failure of the autonomic nervous system and impaired movement. The symptoms reflect the progressive loss of function and death of different types of nerve cells in the brain and spinal cord. It is a rapidly progressive disease and causes profound disability. It is sporadic (not inherited) and typically presents in individuals around 50 or 60 years old. MSA is a Parkinsonian disorder characterized by a variable combination of slowed movement and/or rigidity, autonomic instability that affects involuntary functions such as blood pressure maintenance and bladder control, and impaired balance and/or coordination that predisposes to falls. A pathological hallmark of MSA is the accumulation of the protein α -synuclein within glia, the support cells of the central nervous system, and neuron loss in multiple brain regions. According to the U.S. National Institutes of Health, MSA affects up to 50,000 individuals in the U.S., thus it is considered an Orphan Disease. While some of the symptoms of MSA can be treated with medications, currently there are no drugs that are able to slow disease progression and there is no cure.

Because early MSA is not widely characterized, Alterity is currently conducting a natural history study called "Biomarkers of progression in Multiple System Atrophy (bioMUSE)" to track the progression of patients with MSA. The study is being conducted in collaboration with Vanderbilt University Medical Center in the U.S. under the direction of Daniel Claassen, MD, Professor of Neurology and Principal Investigator. Natural history studies are important for characterizing disease progression in selected patient populations. The study is ongoing and will provide vital information on early stage MSA patients, inform the selection of biomarkers suitable to evaluate target engagement and preliminary efficacy, and deliver clinical data to characterize disease progression in patients that mirror those to be enrolled in Alterity's Phase 2 clinical trial. To date, the study has provided rich data for optimizing the design of Alterity's Phase 2 clinical trial. (see below)

Alterity's lead candidate, ATH434, is a small molecule designed to inhibit the aggregation of pathological proteins implicated in neurodegeneration. ATH434 has been shown preclinically to reduce α -synuclein pathology and preserve nerve cells by restoring normal iron balance in the brain. In this way, it has excellent potential to treat Parkinson's disease as well as various forms of atypical Parkinsonism such as MSA.

A comprehensive nonclinical program to evaluate ATH434's profile to support clinical development is ongoing. ATH434 has also been profiled in mouse models of atypical Parkinsonian conditions, including MSA. In an animal model of MSA, ATH434 prevents α -synuclein aggregation and preserves neurons in the *substantia nigra* and decreased the number of glial cell inclusions in the brains of treated animals. Glial cell inclusions are the pathological hallmark of MSA and contain abundant aggregated α -synuclein that is associated with neurodegeneration. The pathologic benefits were associated with improved motor function in treated animals.

ATH434 had no relevant off-target binding activity in a broad panel of protein interactions. ATH434 did not have significant inhibitory activity of the hERG channel relevant to expected human plasma concentrations in a Good Laboratory Practices (GLP) study. ATH434 is subject to diverse metabolic pathways and is brain penetrant.

ATH434 has successfully completed Phase 1 clinical studies demonstrating the agent is well tolerated, orally bioavailable, and achieved brain levels comparable to efficacious levels in animal models of MSA. ATH434 is currently in a global, Phase 2 clinical trial (see below). ATH434 has been granted Orphan designation for the treatment of MSA by the U.S. FDA and the European Commission.

Parkinson's Disease

Parkinson's disease, another neurodegenerative disease of the aging population, causes a progressive slowing of movement, tremors and the loss of fine motor control due to the death of *substantia nigra* cells in the brain. These cells produce the neurotransmitter dopamine in the brain, which is required for normal motor control. Existing therapies, such as dopaminergic agents, may provide symptomatic relief, but do not address the underlying cause of the disease.

In 2005, we entered into a contractual arrangement with the Integrative Neuroscience Facility based at the Florey Institute of Neuroscience and Mental Health in Melbourne, or the Florey Institute, to assist in the efficacy evaluation of novel compounds in models relevant to Parkinson's disease, specifically the 6-hydroxydopamine mouse model and the MPTP (1-methyl-4-phenyl-1,2,3,6-tetrahydropyridine) mouse model. The toxins used in these two mouse models mimic the disease by causing impairment of the cells of the *substantia nigra*, the area of the brain primarily affected in Parkinson's disease, and subsequent loss of motor function.

During 2009 and 2010, our lead Parkinson's disease treatment candidate emerged, ATH434, (formerly known as PBT434) based on significant improvement in motor function and coordination in both models. Of note, ATH434 improved relevant indices when administered after toxins had destroyed significant amounts of *substantia nigra* nerve cells, indicating that the compound can restore and maintain normal neuronal function. Mechanistic work during this period demonstrated that ATH434 reduced the aggregation of toxic α -synuclein species as well as markers of oxidative stress.

Since 2011, we have continually progressed our understanding of the mechanism of action of ATH434 to reduce alpha-synuclein accumulation and its potential to treat other movement disorders characterized by the over expression alpha-synuclein. Our non-clinical research and development activities were supported by a USD \$206,000 grant from the New York-based Michael J. Fox Foundation entitled, 'ATH434, a Novel Neuroprotective Drug For Parkinson's Disease; Completion of Pre-Clinical Studies to Enable Human Clinical Trials.'

In 2017, Doctors Finkelstein, Cherny and colleagues published data indicating that ATH434 prevented cell death in the *substantia nigra* in a dose-dependent manner. The data also demonstrated the therapeutic potential of ATH434 to slow neurodegeneration with results in multiple Parkinson's disease models, including a transgenic model of Parkinson's disease (A53T) in which mice over-expressed the alpha-synuclein protein. In A53T mice, animals treated with ATH434 exhibited significantly increased numbers of *s. nigra* neurons and a significant reduction in insoluble α -synuclein and incidence of clapping behavior. These results showed that ATH434 lowered alpha-synuclein, preserved neurons and simultaneously improved motor performance. The paper was entitled, "The novel compound ATH434 prevents iron mediated neurodegeneration and alpha-synuclein toxicity in multiple models of Parkinson's disease" and was published in *Acta Neuropathol Comm*.

In February 2021, the Michael J. Fox Foundation awarded Alterity a second grant, entitled "Pharmacologic Evaluation of ATH434 in a Hemiparkinsonian Nonhuman Primate Model for Dose Optimization in PD Clinical Trials" in the amount of USD \$495,000. The goal of the study is to evaluate the pharmacologic profile of ATH434 for determining the optimal doses of ATH434 for future Parkinson's disease clinical trials. The treatment phase of the study has been completed and data analysis is underway.

Alzheimer's disease

PBT2 was our product candidate for Alzheimer's disease. It is orally bioavailable, crosses the blood-brain barrier and was found to be safe and well tolerated in Phase 1 and Phase 2 trials. Phase 1 trials were completed by February 2006 in healthy young and aged volunteers and demonstrated that the drug was well tolerated and suitable for Phase 2 clinical development. In 2008, top line results for a Phase 2a clinical study in mild Alzheimer's disease patients supported PBT2's safety and tolerability as well as its efficacy with respect to secondary cognition endpoints.

Pre-clinical research findings for PBT2 have been published in high impact scientific journals. In 2008 we reported in the journal *Neuron* that PBT2 could rapidly improve cognition in transgenic mice, prevent the formation of toxic soluble Abeta oligomers, lower the Abeta levels in the brain of transgenic mice and protect neurons from the toxic effect of Abeta at the synapses between neurons. In 2010, we reported in *The Journal of Neuroscience* on the loss of synaptic zinc uptake mechanisms in aged animal models and how this correlated with cognitive impairment. In March 2011, we reported in the scientific journal *PLoS ONE* that PBT2 increased the numbers of spines on the branches (or dendrites) of neurons in the hippocampus, a memory centre affected in Alzheimer's disease, thereby increasing the number of spines permits many more neurons to interconnect with any particular neuron thereby increasing the brain's capacity to carry out learning and memory. These findings provided insight into how PBT2 has potential to preserve and protect neurons in Alzheimer's disease.

A 2013 paper, entitled "A Novel Approach to Rapidly Prevent Age-Related Cognitive Decline" was published in the journal *Aging Cell* and demonstrated that PBT2 could restore the cognition of aged mice to that of young, cognitively intact mice. A 2015 paper, entitled "PBT2 inhibits glutamate-induced excitotoxicity in neurons through metal-mediated preconditioning", and published in *Neurobiology of Disease* demonstrated that PBT2 protected against glutamate-induced excitotoxicity.

Further elucidation of the protective role of PBT2 is required, however it appears that the zinc ionophore property of PBT2 works to increase intracellular zinc in the post synaptic terminal, triggering the release of calcium which in turn, leads to neuroprotective pathways being activated inside the neuron that prevent excitotoxicity.

Huntington disease

Huntington disease is a progressive, autosomal dominant neurodegenerative disorder of the central nervous system caused by a mutation in a gene which encodes the huntingtin protein. The disease results in deterioration of physical, cognitive and emotional abilities that lead to severe incapacitation and eventually death, generally 15-25 years after the onset of the disease. Huntington disease primarily affects adults, usually between the ages of 30 and 50.

US-based researchers presented the effects of clioquinol in an animal model of Huntington disease, showing evidence of improved behavior, motor skills and inhibition of the abnormal form of the Huntingtin protein. Based on these findings, we have tested several proprietary compounds in collaboration with researchers based at the Veterans Affairs Medical Center and the Department of Neurology, University of California, San Francisco, under a collaborative research agreement. PBT2 has demonstrated efficacy in the R6/2 mouse model of Huntington disease.

In July 2008, we received the findings from a report commissioned by us from US-based clinical researchers on the suitability of PBT2 for Huntington disease. The report recommended that we proceed to clinical trials in Huntington disease research participants.

In December 2012, we announced the publication of the paper entitled, “PBT2 extends lifespan, reduces striatal atrophy and improves motor performance in a transgenic mouse model of Huntington disease” in the *Journal of Huntington disease*. This paper describes how PBT2 significantly improved functional performance of the mice in the R6/2 model because of the neuroprotective properties of PBT2 by regulating certain metal mediated events in the brain.

Non-neurodegenerative applications

Antibiotic Resistance

In December 2020, Alteryx acquired an exclusive world-wide license from UniQuest, the commercialisation company of The University of Queensland (UQ), for the development and commercialization of novel zinc ionophore technology to combat antimicrobial resistance in superbugs. Under the license, Alteryx has the rights to develop and commercialise therapies that re-sensitize bacteria to antibiotics. The licensed technology combines Alteryx’s PBT2 and other zinc ionophores with commonly used antibiotics to treat infections caused by multidrug resistant bacteria. A published article in the high-impact journal *Science Translational Medicine*, showed that PBT2 could reverse antibiotic resistance to critical superbugs and demonstrate efficacy in an animal model of sepsis.

Our Current Pipeline

| Program | Indication | Current Status | Future Plans |
|-------------------------------|----------------------------|---|---|
| ATH434 | Multiple System Atrophy | Phase 2 Ongoing | Expand enrollment globally |
| BioMUSE Natural History Study | Multiple System Atrophy | Ongoing Partner:  | Enrolling up to 20 patients |
| ATH434 | Parkinson's Disease | Preclinical studies to optimize dosing Partner:  | Proof of concept study in Parkinson's disease |
| Drug Discovery | Neurodegenerative diseases | Discovery ongoing | Generate new IND candidates |

Clinical Trials for Our Product Candidates

ATH434

In July 2019 we announced the completion of clinical trial evaluating the safety and pharmacokinetics of ATH434 in healthy volunteers. The Phase 1 study, conducted in Australia, recruited 70 adult volunteers and ten elderly volunteers with the key goals of assessing the safety, tolerability and drug disposition within the body (pharmacokinetics) of ATH434 after single and multiple oral dose administration.

The volunteers in the single ascending dose phase of the study, made up of four individual dose levels in ascending order, received a single oral dose of ATH434 and a blood sampling over the next 72 hours. In the multiple ascending dose phase of the study, volunteers received eight days dosing with ATH434, administered as three successively higher dose levels, with intensive blood sampling for pharmacokinetics on days 1 and 8. At the two highest multiple dose levels, cerebrospinal fluid was collected at steady state to determine drug penetration to the site of action in the brain. Older adult (≥65 years) received the highest dose level for 8 days as well.

The study was successfully completed with systemic exposure to the drug comparable between elderly and healthy volunteers. ATH434 was found to be safe and well tolerated. Adverse event rates were found to be comparable with placebo and no subject experienced a serious adverse event or an adverse event that led to discontinuation of the study drug.

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The clinical data were presented at the American Academy of Neurology Annual Meeting in May 2019. The presentation was based on an abstract entitled *A phase 1 Study of ATH434, a Novel Small Molecule Inhibitor of α -synuclein Aggregation, in Adult and Older Adult Volunteers* published in the journal *Neurology*. In September 2019, the Company presented a poster titled: *A First in Human Study of ATH434, a Novel Small Molecule Inhibitor of α -Synuclein Aggregation* at the 2019 International Congress of Parkinson's Disease and Movement Disorders (MDS Congress) in Nice, France. The poster presented findings from the completed Phase 1 trial based on an abstract published in the journal *Movement Disorders*.

Alterity applied to the FDA for Orphan Drug designation for the proposed use of ATH434 for the treatment of MSA, and the designation was granted in January 2019. Orphan designation entitles Alterity to seven years of market exclusivity for the use of ATH434 in the treatment of MSA and qualifies the sponsor of the drug for various development incentives of the Orphan Drug Act, including tax credits for qualified clinical testing.

In January 2020 it was announced that the European Commission (EC) granted Orphan Drug designation to ATH434, which entitles Alterity to ten years of market exclusivity in the European Union for the use of ATH434 in the treatment of MSA and other benefits including assistance in developing clinical protocols, reduced fees and access to EU-funded research grants.

During FY22, Alterity commenced its Phase 2 clinical trial for ATH434 for patients with early-stage MSA. The trial is a randomized, double-blind, placebo-controlled investigation that will explore the effect of ATH434 treatment on imaging and protein biomarkers including excess iron and aggregating α -synuclein, respectively, which are important contributors to MSA pathology. Clinical endpoints and activity data from wearable sensors will permit comprehensive assessment of ATH434 efficacy along with characterization of safety and pharmacokinetics. The study is expected to enroll approximately 60 adult patients with early-stage MSA to receive one of two dose levels of ATH434 or placebo. Patients will receive treatment for 12 months which will provide an opportunity to detect changes in efficacy endpoints to optimize design of a definitive Phase 3 study.

The first open site at the New Zealand Brain Research Institute (NZBRI), has commenced recruitment and dosed the first patient in the Phase 2 study.

Alterity has also received regulatory approval from the Italian Medicines Agency, or Agenzia Italiana del Farmaco (AIFA) and from the United Kingdom Medicines & Healthcare products Regulatory Agency (MHRA) to expand recruitment and clinical sites. The company is currently working closely with clinical sites in these countries to initiate patient recruitment. In addition, Alterity is currently seeking regulatory approval to expand the trial to other European countries, Australia, and the United States.

bioMUSE natural history study for MSA patients

Biomarkers of progression in Multiple system atrophy (bioMUSE) is a natural history study tracking the progression of patients with early MSA. The study is being conducted in collaboration with Vanderbilt University Medical Center in the US under the direction of Daniel Claassen, MD, Associate Professor of Neurology and Principal Investigator. Natural history studies are important for characterizing disease progression in target patient populations.

bioMUSE is recruiting 20 patients and continues to provide longitudinal biomarker and clinical data to characterize disease progression in a patient population that mirrors those to be enrolled in the Phase 2 study. The data generated thus far have been invaluable in informing and reducing risk in the Phase 2 trial design.

Key data from bioMUSE were presented at the International Parkinson and Movement Disorder Society Congress and reported that advanced MRI methods employed in the study, referred to as quantitative susceptibility mapping (QSM), demonstrated pathological iron accumulation in multiple areas of the brain in patients with early MSA.

The study investigators concluded that advanced MRI methods for measuring iron may improve patient selection in clinical trials of disease modifying therapy and have potential to serve as a biomarker for assessing treatment induced changes.

Scientific Peer validation

Scientific interest and validation in ATH434 continue to grow with data from the clinical trials and natural history study presented at global scientific and clinical conferences.

In April 2022, new data from the bioMUSE study was presented in a poster session at American Academy of Neurology (AAN) Annual Meeting taking place in Seattle, Washington, USA. The poster presented by Dr. Claassen, entitled, “Iron Accumulation Correlates with Disease Severity in Patients with Multiple System Atrophy” assesses the relationship between iron accumulation and symptom severity in patients with MSA. The study showed that advanced quantitative MRI methods demonstrated pathological iron accumulation in MSA patients that relate to clinical severity. The data also support the use of quantitative susceptibility mapping (QSM) as a biomarker of disease severity in MSA.

In November 2021, a poster was presented at the American Autonomic Society 32nd Annual International Symposium. The poster, entitled “Cardiovascular safety and pharmacokinetics of ATH434, a novel small molecule inhibitor of α -synuclein aggregation, in adults and older adults”, described results from the Company’s Phase 1 clinical trial conducted in healthy volunteers. In this trial, ATH434 was well tolerated in adult and ≥ 65 -year-old volunteers and demonstrated no cardiac adverse event signal and no clinically significant changes in blood pressure or heart rate at any dose. ATH434 also demonstrated dose dependent pharmacokinetics (PK) after single and multiple oral doses and a half-life that supports twice-daily dosing.

In addition, multiple preclinical studies demonstrating the potential of ATH434 to treat Parkinsonian disorders have been published.

In January 2022, data in an animal model of MSA was published in the Journal of Parkinson’s Disease. The publication, entitled, “The Compound ATH434 Prevents Alpha-Synuclein Toxicity in a Murine Model of Multiple System Atrophy” described a study evaluating the efficacy of ATH434 in genetically altered mice that develop manifestations of MSA. The investigation demonstrated that in the studied brain region, ATH434 treatment reduced both the toxic oligomeric and aggregated forms of α -synuclein, a central nervous system protein important for normal function of nerve cells. ATH434 treatment also reduced the cardinal pathology of MSA (glial cell inclusions), reduced brain iron, preserved neurons, and improved motor performance. The results independently confirmed the previous findings from a study published in *Movement Disorders* in 2021. The 2022 publication concluded that ATH434 is a promising small molecule drug candidate that has potential for treating MSA. The study was led by David I. Finkelstein, Ph.D., Head of Parkinson’s Disease Laboratory at the Florey Institute of Neuroscience and Mental Health and the University of Melbourne.

In June 2021, *Movement Disorders*, the official journal of the International Parkinson and Movement Disorder Society, published results from a study demonstrating that ATH434 reduces α -synuclein related neurodegeneration in a widely accepted murine model of MSA. The study was performed at the Laboratory for Translational Neurodegeneration Research, Department of Neurology, Medical University of Innsbruck in Austria, a leading laboratory of animal research in MSA, under the direction of Professor Nadia Stefanova. The pre-clinical study showed that treatment with ATH434 was neuroprotective and improved motor function.

In October 2021, The Journal of Parkinson’s Disease published the results from a preclinical study investigating the effect of ATH434 on gastrointestinal complications titled “ATH434 Reverses Colorectal Dysfunction in the A53T Mouse Model of Parkinson’s Disease”. Non-motor symptoms are common in patients with Parkinsonian disorders, such as Parkinson’s disease and MSA. Parkinson’s disease patients experience gastrointestinal complications, cognitive deficits, autonomic dysfunction, and mood disturbance and these non-motor manifestations are an important source of morbidity and reduced quality of life.

In July 2021, *Plos ONE* published an in vitro study concluding that the novel mechanism of action of ATH434 provides a compelling case for its continued development as a therapeutic agent in neurodegenerative diseases associated with iron accumulation.

PBT2

In 2008 and 2009, results of our three-month double-blind, placebo-controlled safety and tolerability Phase 2a study of PBT2 in 80 elderly male and female patients with mild Alzheimer’s disease were published in *The Lancet Neurology* journal. The trial primary endpoints of safety and tolerability were met and PBT2 treatment at a 250mg dose resulted in a significant decrease in the target A β 42 protein cerebrospinal fluid. In addition, at the 250mg dose, while no significant effect was observed with the ADAS-cog, two of the five NTB tests and the overall executive function domain of the NTB, comprising five cognitive tests, was significantly improved for those patients taking 250mg of PBT2 compared to patients on placebo.

In 2014 we published results of our Phase 2 trial of PBT2 in patients with Huntington disease in *Lancet Neurology*. The trial, known as “Reach2HD”, was a randomized, double-blind placebo-controlled study of 109 patients with early to mid-stage Huntington disease conducted in the United States and Australia. The primary objective of the trial and secondary endpoints included the effect of PBT2 on cognition, behaviour, functional capacity and motor effects. The primary objective of the study was achieved with PBT2 being demonstrated to be safe and well tolerated in Huntington disease patients. Cognition was pre-specified as the primary efficacy endpoint and was assessed using three Composite z-scores selected from individual tests; Category Fluency, Trail Making Test Part B, Map Search, Symbol Digit Modalities and Stroop Word Reading. The Main Cognition Composite and the Exploratory Cognition Composite did not improve with PBT2 treatment, however, the Executive Function Composite, comprised of the Trail Making Test Part B and Category Fluency Test was significantly improved at 12 weeks ($p=0.005$) but not at 26 weeks ($p=0.069$).

Also in 2014, we announced that PBT2 had been granted Orphan Drug designation in the treatment of Huntington disease by the FDA. In June 2015, the European Commission granted Orphan Drug designation for PBT2 for the treatment of Huntington disease.

Notwithstanding the clinical safety demonstrated to date with PBT2 in our Phase 2 programs in Alzheimer’s disease and Huntington disease, in February 2015 we reported that the FDA had placed PBT2 on Partial Clinical Hold, based on toxicology findings in a dog study. These toxicology findings limit the dose of PBT2 that can be used in future trials. Based on the strong safety profile for PBT2, a robust safety monitoring plan was put forth for future clinical trials to the U.S. FDA, the Swedish Medical Products Agency, and the United Kingdom’s Medicines and Healthcare Products Regulatory Agency for scientific advice. The response from these agencies was that more characterization of the nature of the dog toxicology findings and its reversibility would be required to support the future development of PBT2 in Huntington disease.

Patents and Licenses

Patent Matters

Patent matters in biotechnology are highly uncertain and involve complex legal and factual questions. Accordingly, the availability and breadth of claims allowed in biotechnology and pharmaceutical patents cannot be predicted. Statutory differences in patentable subject matter may limit the protection we can obtain on some or all of our inventions outside Australia or prevent us from obtaining patent protection outside Australia, either of which could adversely affect our business, financial condition and results of operations. For example, methods of treating humans are not patentable in many countries outside Australia and the United States. Moreover, since patent applications are not published until at least 18 months from their first filing date and the publication of discoveries in the scientific literature often lags behind actual discoveries, we cannot be certain that we or any of our licensors were the first creator of inventions covered by pending patent applications or that we or our licensors were the first to file patent applications for such inventions. Additionally, the grant and enforceability of a patent is dependent on a number of factors that may vary between jurisdictions. These factors may include the novelty of the invention, the requirement that the invention not be obvious in the light of prior art (including prior use or publication of the invention), the utility of the invention, and the extent to which the patent clearly describes the best method of working the invention.

While we intend to seek patent protection for our therapeutic candidate products and technologies, we cannot be certain that any of the pending or future patent applications filed by us or on our behalf will be approved, or that we will develop additional proprietary products or processes that are patentable or that we will be able to license any other patentable products or processes. We also cannot be certain that others will not independently develop similar products or processes, duplicate any of the products or processes developed or being developed by us or licensed to us, or design around the patents owned or licensed by us, or that any patents owned or licensed by us will provide us with competitive advantages. Furthermore, we cannot be certain that patents held by third parties will not prevent the commercialisation of products incorporating the technology developed by us or licensed to us, or that third parties will not challenge or seek to narrow, invalidate or circumvent any of the issued, pending or future patents owned or licensed by us.

Our commercial success will also depend, in part, on our ability to avoid infringement of patents issued to others. If a court of competent jurisdiction determines that we were infringing any third party patents, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities. We cannot be certain that the licenses required under patents held by third parties would be made available on terms acceptable to us or at all. To the extent that we are unable to obtain such licenses, we could be foreclosed from the development, export, manufacture or commercialisation of the product requiring such license or encounter delays in product introductions while we attempt to design around such patents, and any of these circumstances could adversely affect our business, financial condition and results of operations.

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We may have to resort to litigation to enforce any patents issued or licensed to us or to determine the scope and validity of third party proprietary rights. Such litigation could result in substantial costs and diversion of effort by us. We may have to participate in opposition proceedings before the Australian Patent and Trademark Office or another foreign patent office, or in interference proceedings declared by the U.S. Patent and Trademark Office, to determine the priority of invention for patent applications filed by competitors. Any such litigation, interference or opposition proceeding, regardless of outcome, could be expensive and time consuming, and adverse determinations in any such proceedings could prevent us from developing, manufacturing or commercializing our products and could adversely affect our business, financial condition and results of operations.

In addition to patent protection, we rely on unpatented trade secrets, know-how and other confidential information as well as proprietary technological innovation and expertise. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisers, third parties may still obtain this information or come upon this same or similar information independently.

Patent Portfolio

Since June 30, 2021, we have continued to advance our patent portfolio that aligns with our development programs.

We previously reported the filing of a patent family claiming over 150 imidazo[1,5-a]pyridine compounds that modulate biological iron and are potentially useful for the treatment of neurological diseases such as Parkinson's disease and Alzheimer's disease. The patent was filed under the United States expedited review procedure, known as Track One, and the company announced allowance of the United States application No. 16/818,641 on November 16, 2020 and its granting on July 1, 2021. In securing the patent grant, no prior art was cited against the application. A national phase application driving priority from PCT application, No. PCT/AU2020/050235 was filed in September 2021 in each of Europe, Japan, China, Canada, Australia and India.

We also previously reported that on June 18, 2020, we filed a provisional application to register a patent that claims an additional 80 novel compounds, also that modulate biological iron and also titled "Compounds for and Methods of Treating Diseases". This application matured to a PCT application No. PCT/AU2021/050633 on June 18, 2021. Similar to the first mentioned patent application, contemporaneously with filing the PCT application on April 23, 2021, we also filed United States complete, application No. 17/239,375, under Track One. We announced allowance of the United States application on August 4, 2021, and in securing the allowance, no prior art was cited against the application. On October 26, 2021, the application was granted as US patent no. 11155547.

On August 27, 2021, we filed a PCT application No. PCT/AU2021,050,986 to register a patent that claims an additional 150 novel compounds, all of which modulate biological Zinc for the potential treatment of cancer, neurological diseases and infectious diseases, and is titled "Compounds for and Methods of Treating Diseases". On the same date we also filed a United States complete application, application No. 17/459854, under United States track 1 expedited review procedure.

The Company's Japanese patent application entitled "Method for treating Light Chain Amyloidosis application was granted on 15 February 2022 and assigned Patent No. 7025358 and the Company's United States patent application entitled "Method for treating Light Chain Amyloidosis application was granted on 14 June 2022 and assigned Patent No. 11,357,770.

| Patent | Status | Invention |
|--|--|--|
| "8-Hydroxyquinoline Derivatives" Filed: July 16, 2003 | Patents in Europe, the USA, New Zealand, Canada, Japan, Russia, Singapore, South Korea, Australia, Israel, China, Mexico and South Africa have been Granted. A patent in Hong Kong has been registered. | The invention is directed to chemical scaffolds of the 8-Hydroxyquinoline compounds class and their utility in the treatment of neurological conditions. |
| "Neurologically- Active Compounds" Filed: April 1, 2005 | Patents have been Granted in Singapore, Japan, Mexico, Russia, Australia, the USA, China, Canada, Europe, India, South Korea, Israel, New Zealand and South Africa. A case has been Granted in Europe and has been validated in separate countries. A patent in Hong Kong has been registered. | The invention is directed to 'F4' quinazolinone chemical structures and their utility in the treatment of neurological conditions and includes Parkinson's Disease lead compounds. It covers the ATH434 composition of matter. |
| "Quinazolinone compounds" Filed: December 24, 2008 | Patents have been Granted in Japan, Australia, Europe and the USA. | This invention is directed to 2,3 disubstituted quinazolinone compounds used in the treatment of Parkinson's Disease. |
| "Method of treating immunoglobulin light chain amyloidosis" Filed: July 1, 2016 | A PCT patent application has entered National Phase and awaits examination. The patent has been granted in the US and Japan in 2022. The application was abandoned in China. | This invention is directed to the treatment of light chain amyloidosis with a known compound. |
| "Compounds for Methods of Treating Diseases" Filed: March 13, 2020 | A US patent has been granted and national phase applications have been filed in Europe, Japan, China, Canada, Australia and India. | This invention is directed to 150 novel compounds and for the treatment of neurodegenerative diseases. |
| "Compounds for Methods of Treating Diseases" Filed: June 18, 2021 | National phase is yet to be entered and a US patent has been granted. | This invention is also directed to 80 novel compounds and for the treatment of neurodegenerative diseases. |
| "Compounds for Methods of Treating Diseases" Filed: August 27, 2021 | A PCT and a US complete application are pending. | This invention is directed towards 150 novel compounds for the treatment of neurodegenerative diseases and infectious diseases. |

Competition

The pharmaceutical industry is extremely competitive. We believe that we will face competition in differing levels of intensity in all of the areas in which we are conducting research. ATH434, if approved for the treatment of MSA, may compete in a highly competitive market. Our competitors, which are located worldwide, are numerous and include, among others, major pharmaceutical companies, biotechnology firms, universities and other research institutions. These competitors may develop technologies and products that are more effective than any that we are developing, or which would render our technology and products obsolete or non-competitive. Many of these competitors have greater financial, research and screening capabilities, technical resources and manufacturing and marketing capabilities than we do. In addition, many of our competitors may have more experience than we do in non-clinical and human clinical trials of new or improved drugs, as well as in obtaining FDA, EMA, TGA and other regulatory approvals. We cannot provide assurance that we can compete effectively with these other competitor companies.

There are currently no approved drugs for the treatment of Multiple System Atrophy (MSA). If we are able to successfully develop ATH434 and gain approval for the treatment of MSA, we may compete with the following drug candidates which are in development:

- BHV-3241 (Formerly AZD-3241). This product is being developed by Biohaven Pharmaceuticals, Inc who licensed it from AstraZeneca after a negative Phase 2 study in MSA. It is thought to act by inhibiting the enzyme myeloperoxidase. A Phase 3 study completed in 2022 was negative.
- Anle138b. This product is being developed by MODAG, GmbH and is thought to act by dissolving aggregated forms of the alpha-synuclein protein. A Phase 1 trial in Parkinson's disease is ongoing but there are no trials in MSA.
- BIIB101 (ION464). This product is being developed by Biogen in collaboration with Ionis and is thought to act by interfering with the synthesis of the alpha-synuclein protein. The product is administered by direct injection into cerebrospinal fluid. A phase 1 study is ongoing.
- Lu AF82422. This product is being developed by H. Lundbeck A/S and is thought to act by interfering with the extracellular spread of the alpha-synuclein protein. A Phase 2 study is ongoing.

Regulatory Considerations

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived from those activities will be, subject to regulation by human research ethics committees and institutional research boards, as well as numerous governmental authorities in Australia, the TGA, the United States (FDA), and Europe (various national authorities and the EMA). Prior to marketing, any therapeutic product developed must undergo rigorous pre-clinical testing and clinical trials, as well as an extensive regulatory approval process mandated by the TGA and, to the extent that any of our pharmaceutical products under development are marketed abroad, by foreign regulatory agencies, including the FDA, EMA and EU national authorities.

Clinical trials can take many years to complete and require the expenditure of substantial resources. The length of time varies substantially according to the type, complexity, novelty and intended use of the product candidate. We cannot make any assurances that once clinical trials are completed by us or a collaborative partner, we will be able to submit as scheduled a marketing approval request to the applicable governmental regulatory authority, or that such request and application will be reviewed and cleared by such governmental authority in a timely manner, or at all. Although we intend to make use of fast-track and abbreviated regulatory approval programs when possible and commercially appropriate, we cannot be certain that we will be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing our pharmaceutical products candidates. Delays in obtaining regulatory approvals could adversely affect the development and commercialisation of our pharmaceutical product candidates and could adversely impact our business, financial condition and results of operations.

During the course of clinical trials and non-clinical studies, including toxicology studies, product candidates may exhibit unforeseen and unacceptable drug-related toxicities or side effects. If any unacceptable toxicities or side effects were to occur, we may, or regulatory authorities may require us to, interrupt, limit, delay or abort the development of our potential products. In addition, unacceptable toxicities could ultimately prevent the clearance of our product candidates by human research ethics committees, institutional research boards, the TGA, EMA, FDA or other regulatory authority for any or all targeted indications. Even after being cleared by a regulatory authority, any of our products may later be shown to be unsafe or not to have its purported effect, thereby preventing widespread use or requiring withdrawal from the market. We cannot make any assurances that ATH434 or any other product candidates will be safe or effective when administered to patients.

Manufacturing and Raw Materials

The manufacture of pharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract manufacturers must comply with GMP regulations and guidelines. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up and validating initial production. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. We cannot make any assurances that we will be able to manufacture sufficient quantities of product candidate in a cost-effective or timely manner. Any delays in production would delay our nonclinical and human clinical trials, which could adversely affect our business, financial condition and results of operations. We also cannot make any assurances that we will be able to enter into collaborative or contracting arrangements on acceptable terms with third party manufacturers that will meet our requirements for quality, quantity and timeliness.

We expect that we will be required to design and develop new synthetic pathways and formulations for manufacturing most, if not all, of the products that we currently intend to develop or may develop in the future. We cannot predict the success of such efforts, the purity of the products that may be obtained or the nature of the impurities that may result from such efforts. If we are not able to obtain a suitable formulation or an acceptable purity for any product candidate or an acceptable product specification, nonclinical and clinical trials would be delayed, which could adversely affect the priority of the development of our product candidates, our business, financial condition and results of operations. We cannot guarantee that it will be possible to scale up new synthetic processes or make the necessary validated process improvements to provide sufficient quantities of drug substance for clinical drug trials, which could indefinitely delay the initiation of clinical trials utilizing drug substance. We also cannot guarantee that the drug substance will be suitable for high throughput drug product manufacturing. This may adversely impact the cost of goods or feasibility of market scale manufacture.

C. ORGANIZATIONAL STRUCTURE

We have two wholly-owned subsidiaries, Alterity Therapeutics Inc. and Alterity Therapeutics UK Limited, incorporated in the United States and the United Kingdom, respectively.

D. PROPERTY, PLANT AND EQUIPMENT

Our executive offices are located at Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia, where we occupy approximately 223 square meters. The lease for the facility, originally expired on September 17, 2020, and has been extended until September 30, 2022, with an annual rent of A\$39,426. Our United States office is located at Suite 360, 39899 Balentine Drive, Newark, California 94560, United States of America, where we occupy approximately 911 square feet. The lease for the facility, which expires on May 31, 2024, has an annual rent of U.S.\$30,610. We also utilize a facility at 30 Flemington Rd, Parkville, VIC 3010, Australia, where we occupy approximately 44 square meters. The lease for the facility which expires on July 31, 2024 has an annual rent of A\$17,001.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis includes certain forward-looking statements with respect to the business, financial condition and results of operations of our company. The words “estimate,” “project,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements within the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements, including those risk factors contained in Item 3.D. of this annual report. You should read the following discussion and analysis in conjunction with our consolidated financial statements and the notes thereto included in this annual report.

A. OPERATING RESULTS

Background

We were incorporated under the laws of the Commonwealth of Australia on November 11, 1997. The principal listing of our ordinary shares and listed options to purchase our ordinary shares is on the ASX. From September 5, 2002 until April 8, 2019, our ADSs traded on the NASDAQ Capital Market under the symbol “PRAN.” On April 8, 2019 we changed our name to Alterity Therapeutics Limited and our ADSs have traded under the symbol “ATHE” and our ordinary shares have traded under the symbol “ATH” since that date.

Our consolidated financial statements appearing in this annual report comply with IFRS as issued by IASB. In this annual report, all references to “U.S. dollars” or “U.S.\$” are to the currency of the United States, and all references to “Australian dollars” or “A\$” are to the currency of Australia. All of our revenues are generated in Australian dollars, except for interest earned on foreign currency bank accounts, and the majority of our expenses are incurred in Australian dollars.

Overview

We are a development stage enterprise at an early to mid-stage in the development of our pharmaceutical products that are designed to treat the underlying causes of neurodegeneration of the brain. We have incurred net losses since inception and expect to incur substantial and increasing losses for the next several years as we expand our research and development activities and move our product candidates into later stages of development. All of our product candidates are in discovery phase or early and mid-stage of development and we face the risks of failure inherent in developing drugs based on new technologies. The process of carrying out the development of our products to later stages of development may require significant additional research and development expenditures, including nonclinical testing and clinical trials, as well as for obtaining regulatory approval. To date, we have funded our operations primarily through the sale of equity securities, proceeds from the exercise of options, government grants, licensing and research collaborations and interest income.

Since completing our initial public offering and listing process on the ASX on March 28, 2000, we have concentrated our resources toward the pursuit of our disease targets. We have completed four Phase 1 studies of PBT2 and a Phase 2a clinical trial for PBT2 in patients with Alzheimer’s disease. We have completed the “IMAGINE” Phase 2 biomarker imaging trial in Alzheimer’s disease and a fifty-two week open label IMAGINE Extension study and the “Reach2HD” Phase 2a trial in Huntington disease. In 2019, we completed a Phase I clinical trial of ATH434 in healthy volunteers and in 2022 we commenced a Phase 2 clinical trial of ATH434 in Multiple System Atrophy (MSA), a rare and highly debilitating Parkinsonian disorder. For details regarding clinical trials for our lead compounds, see Item 4.B. “Information on the Company - Business Overview - Clinical Trials for Our Product Candidates.”

Going Concern Basis

The Group is a development stage medical biotechnology company and as such expects to be utilizing cash until its research activities have become marketable. The Group has incurred recurring losses since inception including an operating loss of \$12,847,061 (2021: \$15,309,353) and an operating cash outflow of \$12,337,274 (2021: \$17,330,069). The Group expects to continue incurring losses into the foreseeable future and will need to raise additional capital to continue the long-term development of its planned research and development programs. Cash and cash equivalents on hand as at June 30, 2022 was \$34,806,799. During the financial year ended June 30, 2022, the Group raised \$17,176,040 resulting from the sale of shares of our ordinary shares pursuant to the 'At-the-market' (ATM) facility. Furthermore, the Group has recorded a Trade and Other Receivable as at June 30, 2022 of \$4,669,405 from the Australian Taxation Office in respect of our 2022 Research and Development Tax Incentive claim. The Group has sufficient funds to meet our forecast cash outflows for all planned research and development activities, including conduct of the ATH434 Phase 2 clinical study and working capital for at least the next twelve months from the issuance of this report.

Our consolidated financial statements have been prepared assuming that the Group will continue as a going concern, which contemplates the realization of assets and the satisfaction of its liabilities in the normal course of business.

Significant Costs and Expenses

Research and development expenses. Our research and development expenses consist primarily of expenses for contracted research and development activities conducted by third parties on our behalf. Research and development expenses also include costs associated with the acquisition, development of patents and salaries and fees paid to employees and consultants involved in research and development activities.

General and administration expenses. Our general and administration expenses consist of (i) personnel expenses such as directors' fees, salaries and benefits paid to employees and officers and equity-based payments awarded to directors, officers and employees; (ii) auditor and accounting expenses which are fees paid to our auditors for services related to annual reports and interim reports filed or submitted in Australia and the United States and fees paid to other accounting firms in respect of tax and other accounting advice; (iii) public relations and marketing expenses which are fees paid to outside consultants for services related to ASX and NASDAQ announcements and presentations; (iv) depreciation expenses; and (v) other administrative and office expenses.

Intellectual property expenses. Our intellectual property expenses consist of fees paid to our outside counsel for legal fees associated with patent applications and for the defense of patents.

Other gains and losses. Other gains and losses consist of foreign exchange gain (loss) which are the net unrealized gain or loss on cash balances and trade and other payables held in foreign currencies (primarily U.S. dollars, British Pounds and Euros) as well as net realized gains and losses on foreign currency transactions.

Impact of COVID-19

The effects of the COVID-19 pandemic have impacted our business and customers. Government responses to the COVID-19 pandemic have resulted in international travel and other restrictions, which has limited our access to key personnel, impacted our ability to expand our R&D and increased the risk that development of our products may take longer, may be more expensive than expected and may not deliver the expected benefits on schedule or at all. Such impacts may negatively affect our revenue and ability to generate profits in the future. The COVID-19 pandemic has also prompted a trend towards expanded contractual liability. Any future pandemic or resurgence, could have a material adverse effect on our business and results of operations.

Results of Operations

Year ended June 30, 2022 compared to year ended June 30, 2021

Interest income

Interest income decreased to A\$2,504 for the year ended June 30, 2022 from A\$20,676 for the year ended June 30, 2021, a decrease of A\$18,172, or 87.9%. The reduction in interest income is primarily attributable to lesser term deposits committed as a result of lower Australian dollar cash balances during the current fiscal year.

Other Income

We have recognised a receivable and other income of A\$4,669,405 for the R&D Tax Incentive refundable cash offset in relation to eligible expenditure for the year ended June 30, 2022, on which we are entitled to a 43.5% refundable offset under an Australian R&D tax incentive scheme that was introduced on July 1, 2019.

For the year ended June 30, 2021, we recognised a receivable and other income of A\$4,126,364 for the R&D Tax Incentive refundable cash offset in relation to eligible expenditure for the year. This was subsequently received during the year ended June 30, 2022.

We were awarded a U.S.\$495,487 grant from the Michael J Fox Foundation for Parkinson's Research during the year ended June 30, 2021, to carry out a research programme and we recognised U.S.\$330,325 and U.S.\$165,162 as other income during the year ended June 30, 2022 and June 30, 2021 respectively.

Research and development expenses

Our research and development expenses increased to A\$14,745,776 for the year ended June 30, 2022 from A\$12,283,848 for the year ended June 30, 2021, an increase of A\$2,461,928, or 20%. The increase is attributable to the increase in activity in relation to the commencement of the Phase 2 clinical trial of our lead product candidate ATH434.

General and administrative expenses

General and administrative expenses decreased to A\$5,513,915 for the year ended June 30, 2022 from A\$6,937,842 for the year ended June 30, 2021, a decrease of A\$1,423,927 or 20.5%. The decrease is attributable to a reduced share based payment expense relating to the issue of options to key management, termination payments and increased consultants' fees in the prior period.

Intellectual property expenses

Intellectual property expenses, which include patent portfolio costs and intellectual property related legal costs, increased slightly to A\$364,665 for the year ended June 30, 2022 from A\$360,026 for the year ended June 30, 2021, an increase of A\$4,639.

Foreign exchange gain (loss)

We recorded a foreign exchange gain of A\$2,722,430 for the year ended June 30, 2022 compared to a foreign exchange loss of A\$297,111 for the year ended June 30, 2021. Foreign exchange gain (loss) reflects the impact of changes in foreign currency exchange rates on cash that we hold in U.S. dollars, British Pounds and Euros. In the 2022 fiscal year, the Australian dollar depreciated against the U.S. dollar, which had a favorable impact on the Australian dollar value of our cash held in U.S. dollars. In the 2021 fiscal year, the Australian dollar appreciated against the U.S. dollar, which had an unfavorable impact on the Australian dollar value of our cash held in U.S. dollars. In the 2022 fiscal year, we incurred a foreign exchange gain of A\$2,813,146 attributable to the cash balances that we held in U.S. dollars, and a foreign exchange loss of A\$90,716 attributable to foreign currency transactions. In the 2021 fiscal year, we incurred a foreign exchange loss of A\$426,782 attributable to the cash balances that we held in U.S. dollars, and a foreign exchange gain of A\$129,671 attributable to foreign currency transactions.

For a comparison of our results of operations between year ended June 30, 2021 and year ended June 2020, see Item 5.A. “Results of Operations” of our annual report on Form 20-F as filed on September 2, 2021.

Inflation and Seasonality

Management believes inflation has not had a material impact on our company’s operations or financial condition and that our operations are not currently subject to seasonal influences.

Conditions in Australia

We are incorporated under the laws of, and our principal offices and research and development facilities are located in, the Commonwealth of Australia. Therefore, we are directly affected by political and economic conditions in Australia. See Item 3.D. “Key Information – Risk Factors – Risks Relating to Our Location in Australia” for a description of factors that could materially affect our operations.

Recently Issued International Accounting Standards and Pronouncements

New and amended Accounting Standards and Interpretations issued and effective

We have adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ‘IASB’ that are mandatory for the current reporting period.

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

Australian Disclosure Requirements

Dividends

No dividends have been paid during the financial year (2021: nil). The Directors do not recommend the payment of a dividend in respect of the current financial year (2021: nil).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Events since the end of the financial year

No other matters or circumstances have arisen since June 30, 2022 that have significantly affected the Group’s operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The likely developments in our operations, to the extent that such matters can be commented upon, are covered in Item 5A of this report.

Environmental regulation

We are involved in scientific research and development, and the activities do not create any significant environmental impact to any material extent. Our scientific research activities are in full compliance with all prescribed environmental regulations.

B. LIQUIDITY AND CAPITAL RESOURCES

We are a development stage company, have had no sales income to date and as of June 30, 2022, our accumulated deficit totaled A\$181,884,388. We had A\$34,806,799 of cash and cash equivalents as of June 30, 2022, compared to A\$28,115,516 as of June 30, 2021.

From inception until our initial public offering in March 2000 we financed our operations primarily through borrowings from two of our then directors, which were repaid from the proceeds of such offering. Since our initial public offering, we have financed our operations primarily through sales of equity securities, proceeds from the exercise of options, government grants, licensing and research collaborations and interest earned on investments.

In September 2009, we raised A\$6.0 million before costs in a private placement to one of our institutional shareholders in the United States of 30 million ordinary shares (equivalent to 500,000 ADSs on a post reverse ratio basis) at a price of A\$0.20 per share (A\$12 per ADS on a post reverse ratio basis)). We also agreed to grant the investor, subject to shareholder approval, options to purchase 10 million ordinary shares (equivalent to one million ADSs) at an exercise price of A\$0.30 per share (A\$18 per ADS on a post reverse ratio basis)) that would expire four years after the date of the issuance of the shares in the September 2013 private placement. We also issued to the investor, based on an agreed upon formula, an additional 750,000 ordinary shares pursuant to the approval of our shareholders obtained in November 2009.

In July 2010, we raised A\$1.15 million before costs in a private placement of 7.065 million of our ordinary shares (equivalent to 117,750 ADSs on a post reverse ratio basis)) to Quintiles, at a price of A\$0.1624 per ordinary share

On February 21, 2011, the ADDF awarded us a grant of U.S.\$700,000, to be provided in two equal instalments over two years. The purpose of the grant was to support a Phase II imaging trial with PBT2 to investigate the effect of PBT2 on the deposition of beta-amyloid in the brains of patients with mild Alzheimer's disease. The ADDF is based in New York and functions on a venture philanthropy model. We issued a convertible promissory note to the ADDF in the principal amount of the grant and a five-year warrant to purchase 612,397 ordinary shares of our company at a price per share of A\$0.17, being the closing pricing of our ordinary shares on the ASX on the date of our agreement with ADDF. We also agreed to issue an additional five-year warrant to purchase U.S. \$105,000 of our ordinary shares at a price per share equal to the closing price of our ordinary shares on the ASX on the date the second instalment of U.S.\$350,000 was paid. The note was repaid in full.

In March 2011, we completed a private placement of our securities to institutional investors for aggregate gross proceeds of approximately A\$6.12 million. Under the terms of the offering, we sold an aggregate of approximately 27.2 million ordinary shares (equivalent to 453,333 ADSs) at a price of A\$0.225 per share (A\$13.5 per ADS on a post reverse ratio basis). We also granted to the investors options to purchase up to an aggregate of approximately 6.8 million ordinary shares (equivalent to 113,333 ADSs) at an exercise price of A\$0.225 per share (A\$13.2 per ADS on a post reverse ratio basis) that expired.

In June 2011, we completed a private placement of 5.69 million of our ordinary shares to institutional investors and Quintiles Limited, at a price of A\$0.225 per share, for aggregate gross process of approximately A\$1.28 million. We also granted the investors options to purchase 1.42 million ordinary shares at an exercise price of A\$0.225 per share that expired on March 24, 2015.

In July 2011, we entered into an At-The-Market Issuance Sales Agreement with a U.S. broker and issued 2,785,221 million ADSs on a post reverse ratio basis for gross proceeds of A\$39.4 million. On November 26, 2014 we entered into an Amendment to the At-The-Market Issuance Sales Agreement to continue the at-the-market equity program. We sold 11,310,920 of our ADSs on a post reverse ratio basis for aggregate gross proceeds of approximately A\$35.55 million through this facility.

In October 2012, we raised approximately A\$6.0 million through a private placement of 32.5 million ordinary shares (equivalent to 0.54 million ADSs on a post reverse ratio basis) at a price of A\$0.185 per ordinary share. The capital was raised in order to support our two ongoing Phase II clinical trials, the IMAGINE trial and Reach2HD trial.

In March 2013, we completed a private placement of 36.0 million ordinary shares to Australian institutions and high net worth investors, at a price of A\$0.195 per share, for aggregate gross proceeds of approximately A\$7 million.

On October 13, 2016, we entered into an At-The-Market Issuance Sales Agreement with FBR Capital Markets & Co. and Jones Trading Institutional Services LLC, which was amended on November 8, 2017 and December 16, 2020. We have raised US\$ 20,077,495 under this program.

On December 28, 2018, we entered into a securities purchase agreement with Life Biosciences whereby Life Biosciences agreed to invest US\$7.5 million in our company. Following shareholder approval, this investment was completed on April 8, 2019 with the issuance of 269,905,533 ordinary shares at an issue price of A\$0.039 per share and 539,811,066 warrants each with an exercise price of A\$0.045 per share and expiring on December 19, 2019. These warrants expired, unexercised.

In October 2020, we received commitments for a capital raising of A\$35 million by means of a two tranche placement to Australian and international institutions and other unrelated sophisticated, professional or exempt investors. The placement was fully subscribed and was conducted at A\$0.037 per share. For every share allocated in tranche two of the placement, one option was issued. The option has an exercise price of A\$0.07 per share and an expiry date of three years post allotment. The first tranche was completed on October 23, 2020 with A\$10 million received. The second tranche was completed on November 4, 2020 following approval by shareholders at the Annual General Meeting held on November 18, 2020. We received the remaining A\$25 million at the same time. A total of 945,945,946 shares and 674,694,939 free-attaching options were issued across both tranches.

As of June 30, 2022, we had a total of 859.4 million unlisted, unexercised options outstanding. The options have exercise prices ranging from A\$0.02 to A\$0.11. If all unlisted options were exercised, we would receive consideration of A\$56.6 million in total.

From inception to June 30, 2022, our capital expenditures have totaled A\$844,007, consisting of computer equipment, furniture and fixtures, fit-out costs and laboratory equipment that is being used in connection with our research facility at The University of Melbourne. Capital expenditures for equipment are depreciated on a straight-line basis over the estimated useful lives of 3 to 20 years, with a net balance as of June 30, 2022 of A\$102,551. We currently do not have significant capital spending requirements, but we expect to continue to engage in capital spending consistent with anticipated growth in our operations and personnel.

We believe the Australian Government tax incentive scheme relating to eligible research and development activities, introduced on July 1, 2011, will provide us with significant benefits in future years. Such eligible R&D activities include but are not limited to:

- Core activities, which are experimental activities whose outcome cannot be known or determined in advance, but can only be determined by applying a systematic progression of work;
- Core activities conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved processes and materials); or
- Supporting activities that are directly related and designed to support the above.

Under the research and development tax incentive scheme, entities with an aggregated turnover for the income year of less than A\$20 million will be entitled to a 43.5% refundable tax incentive. In the year ended June 30, 2022, we recorded A\$4.7 million in other income with respect to funds we will receive in relation to the 2022 financial year under the research and development tax incentive scheme.

We have incurred recurring losses since inception, including operating losses of \$12.8 million and \$15.3 million for the years ended June 30, 2022 and 2021, respectively, and an operating cash outflow of \$12.3 million and \$17.3 million, respectively. We expect to continue incurring losses for the foreseeable future and will need to raise additional capital to continue the development of our planned research and development programs. Our cash and cash equivalents on hand as of June 30, 2022 was \$35 million. During the financial year we raised \$17 million from the sale of our ordinary shares pursuant to our 'At-The-Market' (ATM) facility. Furthermore, we have recorded a Trade and Other Receivable as at June 30, 2022 of \$4.7 million from the Australian Taxation Office in respect of our 2022 Research and Development Tax Incentive claim. On this basis, we believe we have sufficient funds to meet our forecast cash outflows for all planned research activities, including the conduct of the ATH434 Phase 2 clinical study and working capital for at least twelve months from the date of this report. The consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of our assets and the satisfaction of our liabilities in the normal course of business.

Cash Flows

The following table summarizes our cash flows for the periods presented:

| | Year ended June 30, | | |
|--|---------------------|--------------|-------------|
| | 2022 | 2021 | 2020 |
| | | (A\$) | |
| Net cash (used) in operating activities | (12,337,274) | (17,330,069) | (9,431,122) |
| Net cash used in investing activities | (89,147) | (10,472) | (16,744) |
| Net cash generated from(used) in financing activities | 16,304,558 | 36,685,947 | 3,981,877 |
| Net increase(decrease) in cash and cash equivalents | 3,878,137 | 19,345,406 | (5,465,989) |
| Cash and cash equivalents at beginning of period | 28,115,516 | 9,196,892 | 14,399,904 |
| Exchange rate adjustments on cash held in foreign currencies | 2,813,146 | (426,782) | 262,977 |
| Cash and cash equivalents at end of period | 34,806,799 | 28,115,516 | 9,196,892 |

Net cash used in operating activities was A\$12,337,274, A\$17,330,069 and A\$9,431,122 during the years ended June 30, 2022, 2021 and 2020, respectively. Our payments to suppliers and employees during the years ended June 30, 2022, 2021 and 2020 were A\$16,875,144, A\$17,720,622 and A\$14,363,974, respectively. Our operating activity receipts for the years ended June 30, 2022, 2021 and 2020 of A\$4,126,364, Nil and A\$4,824,880 consisted of R&D tax incentive refunds. The A\$845,478 decrease in payments to suppliers and employees for the year ended June 30, 2022 when compared to the year ended June 30, 2021 reflects the payment of employee entitlements on termination in the prior period. The A\$3,356,648 increase in payments to suppliers and employees for the year ended June 30, 2021 when compared to the year ended June 30, 2020 reflects the increase in activity during the year due to preparation for the Phase 2 study of ATH434. During the years ended June 30, 2022, 2021 and 2020, our payments to suppliers and employees was offset in part by interest received of A\$2,755, A\$20,491 and A\$19,162, respectively.

Net cash used in investing activities was A\$89,147, A\$10,472 and A\$16,744 during the years ended June 30, 2022, 2021 and 2020, respectively. Cash flows used for investing activities was primarily attributable to payments for the purchase of a property and equipment for the years ended June 30, 2022, 2021 and 2020.

Net cash generated from financing activities was A\$16,304,558, A\$36,685,947 and A\$3,981,877 for the years ended June 30, 2022, 2021 and 2020. Cash generated from financing activities in the year ended June 30, 2022, 2021 and 2020 mainly related to gross proceeds from the issuance of shares amounting to A\$17,176,040, A\$39,236,886 and A\$4,363,886 respectively.

An unrealized foreign exchange gain of A\$2,813,146 was incurred for the year ended June 30, 2022 an unrealized foreign exchange loss of A\$426,782 was incurred for the year ended June 30, 2021 and an unrealized foreign exchange gain of A\$262,977 was incurred for the year ended 2020. In 2022, the Australian dollar depreciated against the U.S. dollar by 8.19%. In 2021, the Australian dollar appreciated against the U.S. dollar by 9.16%. In 2020, the Australian dollar depreciated against the U.S. dollar by 1.66%.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

In recent years, we have continued our practice of building valuable research collaborations with institutes based in Australia, the United States and other countries to enable us to investigate a variety of therapeutic indications including Alzheimer's disease, Huntington disease, Parkinsonian movement disorders and selected cancers. These collaborative arrangements ensure that we work with well-respected laboratories with specific expertise in screening and animal modelling of relevance to the particular indication, without incurring ongoing administrative and personnel costs. We maintain in-house patent counsel and research and development project expertise to coordinate these research collaborations.

Our research and development expenses consist primarily of expenses for contracted research and development activities conducted by third parties on our behalf, including personnel, testing facilities and other payments in accordance with our research and clinical agreements. Research and development expenses also include costs associated with the acquisition and development of patents. Due to the numerous variables and the uncertain nature of the development of a clinical compound, including obtaining regulatory approvals, we are not able to reasonably estimate the nature, timing and costs of the future expenditures necessary to complete our research and development projects, the anticipated completion dates of each project and when material net cash flows from our research and development programs will commence.

When a product candidate is identified as suitable for clinical development, we establish a project team to coordinate all non-clinical and clinical development and manufacturing activities. Typically, we engage a clinical research organization to manage patient enrollment, data management, clinical site coordination and statistical analysis, as is the case with the development of our lead compound ATH434 through Phase 1 and 2 development. We manage our manufacturing campaigns through clinical manufacturing organisations for quality assurance and GMP compliance. All clinical, non-clinical, clinical development and manufacturing of our compounds is performed in compliance with the appropriate governing authorities, regulators and standards (for example, the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use).

Our technology does not currently require the licensing of enabling technology licenses or freedom to operate licenses. Our product candidates are designed and synthesised by our employees and the intellectual property of such product candidates is owned by us.

D. TREND INFORMATION

We are a development stage company and while we believe that our technology will offer novel therapeutic strategies into an expanding market, we cannot predict with any degree of accuracy the outcome of our research or commercialisation efforts.

We have not commercialised any products to date. Accordingly, any trends within the markets in which we operate are expected to have more direct impact on our business in the event that we are successful in commercialising our product candidates, including ATH434, PBT2 and new candidate products.

We will need substantial additional funding in order to complete the development, testing and commercialisation of our product candidates. The commitment to these projects will require additional external funding, at least until we are able to generate sufficient cash flow from sale of one or more of our products to support our continued operations. If adequate funding is not available, we may be required to delay, scale back or eliminate certain aspects of our operations or attempt to obtain funds through unfavorable arrangements with partners or others that may force us to relinquish rights to certain of our technologies, products or potential markets or that could impose onerous financial or other terms. Management is continuing its efforts to obtain additional funds so that we can meet our obligations and sustain operations.

E. CRITICAL ACCOUNTING ESTIMATES

Not applicable

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

(Start of the Remuneration Report for Australian Disclosure Requirements)

A. DIRECTORS AND SENIOR MANAGEMENT

Our directors and executive officers are as follows:

| Name | Age | Position |
|------------------------------------|-----|-------------------------------------|
| Geoffrey P. Kempler | 67 | Chairman of the Board of Directors |
| David A. Stamler | 61 | Chief Executive Officer |
| Kathryn J.E. Andrews | 55 | Chief Financial Officer |
| Lawrence B. Gozlan | 43 | Director |
| Peter A. Marks ⁽¹⁾⁽²⁾ | 66 | Director |
| Brian D. Meltzer ⁽¹⁾⁽²⁾ | 68 | Director |
| David Sinclair | 53 | Director (Resigned January 4, 2022) |
| Tristan Edwards | 47 | Director (Resigned January 4, 2022) |
| Phillip Hains | 62 | Company Secretary |

Messrs. David Sinclair and Tristan Edwards resigned as directors of the Company on January 4, 2022

- (1) Member of the Audit Committee
- (2) Member of the Remuneration Committee and Share Plan Committee

Mr. Geoffrey Kempler has served as Chairman of our Board of Directors since November 1997; between November 1997 and August 2004 he served as our Chief Executive Officer and again assumed the position of Chief Executive Officer from June 2005 until January 2021. Mr. Kempler is one of the founders of our company. Mr. Kempler served as a Chairman and Non-Executive Director of Opthea Limited, an ASX and NASDAQ listed drug development company, from November 2015 until October 2020.

Mr. Kempler is a qualified psychologist with extensive experience in investment and business development and has been responsible for the implementation of our strategic plan and the commercialisation of our technology. Mr. Kempler was appointed Chairman of Ausbiotech, Australia's biotechnology organization, on 8 November 2021 and also sits on the Monash Institute of Cognitive and Clinical Neurosciences (MICCN) Industry Advisory Board at the Turner Institute of Brain and Mental Health at Monash University, where he is also an Adjunct Senior Lecturer.

Mr. Kempler holds a B.Sc degree in science from Monash University, Grad. Dip. App. Soc. Psych. degree from Swinburne University.

Dr. David Stamler, M.D. was appointed Chief Executive Officer in January 2021 and previously served as our Chief Medical Officer and Senior Vice President, Clinical Development since May 2017. Prior to joining Alterity, Dr. Stamler served as the Vice President, Clinical Development and Therapeutic Head for Movement Disorders at Teva Pharmaceutical Industries from 2015 to 2017 after Teva acquired Auspex Pharmaceuticals. Dr. Stamler was the Chief Medical Officer of Auspex from January 2011 until 2015. Prior to that, he served as Senior Vice President and Chief Medical Officer at XenoPort, Inc., a publicly-traded biopharmaceutical company, from 2008 to 2010 and Chief Scientific Officer and Head of Drug Development at Prestwick Pharmaceuticals, Inc., a private pharmaceutical company, from 2005 to 2008. Before Prestwick Pharmaceuticals, Inc., Dr. Stamler worked at Fujisawa Pharmaceutical Co. and its subsidiaries from 1997 to 2005 in various leadership roles, including Vice President, Research and Development, Medical Sciences at Fujisawa Healthcare, Inc. from 2003 to 2005 and as Vice President, Clinical Research Center at Fujisawa Research Institute of America from 2000 to 2003. Dr. Stamler began his career at Abbott Laboratories, a publicly-traded global pharmaceuticals and healthcare products company, where he served in various positions from 1993 to 1997, including Director of Clinical Research, Pharmaceutical Products for the International Division. Dr. Stamler received an M.D. from the University of Chicago—The Pritzker School of Medicine and a B.A. in Biology from the University of Chicago.

Ms. Kathryn Andrews is a highly experienced biotechnology CFO. She was appointed CFO in November 2014. Between 2012 and 2014, Ms. Andrews held a senior role with The CFO Solution, a firm focused on providing an outsourced CFO team including company secretarial to listed public companies, mainly in the biotechnology sector. Between 2002 and 2006 Ms. Andrews was the CFO and Company Secretary of Antisense Therapeutics Limited. Ms. Andrews has also provided contract accounting, governance and consulting services to various mining and resources, technology and government organisations from 2007 to 2012 and 1999 to 2002. Between 1989 and 1998 Ms. Andrews was employed by Rio Tinto Limited in a variety of accounting, internal audit and financial management roles. Between 1985 and 1989 Ms. Andrews was employed by BP Australia Limited in accounting roles. Ms. Andrews is a Certified Practising Accountant and holds a Bachelor of Commerce from the University of Melbourne.

Mr. Lawrence Gozlan has served as a director of our Group since August 2011. Mr. Gozlan, a leading biotechnology investor and advisor, is the Chief Investment Officer and Founder of Scientia Capital, a specialised global investment fund focused exclusively in life sciences. Scientia Capital was founded to provide high level expertise and to manage investments for high net worth individuals, family offices and institutional investors wanting exposure to the biotechnology industry. Prior to this, Mr. Gozlan was responsible for the largest biotechnology investment portfolio in Australia as the institutional biotechnology analyst at QIC (“the Queensland Investment Corporation”), an investment fund with over A\$60 billion under management. He previously worked as the senior biotechnology analyst in the equities team at Foster Stockbroking Pty Ltd and gained senior corporate finance experience advising life sciences companies at Deloitte. Mr. Gozlan is currently a Director of Opthea Limited, an ASX and NASDAQ listed drug development company, and a number of private biotechnology companies in the USA. He holds a Bachelor of Science with Honors in microbiology and immunology from the University of Melbourne.

Mr. Peter Marks has served as a director of our Group since July 2005. For the period November 21, 2006 to October 20, 2011, Mr. Marks also served as Executive Chairman of iSonea Ltd, formerly KarmelSonix Ltd, a medical devices company listed on the ASX that has, over several years, focused on developing and commercializing a range of devices in the respiratory and medicine space. For over 13 years until the end of August 2014, Mr. Marks was a Director of Peregrine Corporate Ltd, an Australian-based investment banking and corporate advisory firm. Mr. Marks was until late 2016, a Director of Armadale Capital Plc (formerly Watermark Global Plc), an AIM listed investment company, focused on natural resources projects based principally in Africa with its current major investments being a gold exploration company in DRC and a coal briquetting operation in South Africa. Mr. Marks is currently Chairman of Newburyport Partners, a boutique corporate and capital markets advisory firm specializing in advising and raising capital for a range of small to mid-cap companies. Mr. Marks was until March 31, 2020 a non-executive Director of Fluence Corporation Ltd. (formerly Emefcy Group Limited and prior to that Savcor Group Limited), an ASX listed municipal & industrial waste water technology business. Mr. Marks is also a non-executive director of Electriq-Global Ltd, an unlisted public company developing a novel and safe hydrogen fuel storage and transportation system. He also currently serves as Director of ASX listed biotech company, Noxopharm Ltd. which is progressing a clinical program in using chemical sensitizers to enhance the effectiveness of existing chemotherapy drugs and radiation therapies as well as a non-executive director (until August 2022) of Nyrada Inc, which is developing several pre-clinical non-oncology projects focusing on the cardiovascular and TBI space, and which was listed on ASX in January 2020. Mr Marks is also a director of listed resources company Iris Metals Ltd. which listed on ASX in September 2021. He has also served as a non-executive director of ASX listed company, Elsie Ltd from January 2020 until end September 2021. From September 1998 until March 2001, Mr. Marks was employed by KPMG Corporate Finance Ltd (Australia), where he rose to the position of Director and was responsible for heading up the equity capital markets group in Melbourne. From January 1992 until July 1994, Mr. Marks served as Head of the Melbourne Companies Department at the ASX and was founding Director of Momentum Funds Management Pty Ltd, an Australian venture capital firm. From December 1990 until December 1991, Mr. Marks served as Director of Corporate Finance at Burdett Buckenridge & Young Ltd in their Melbourne offices, from August 1988 until November 1990, he held senior corporate finance position at Barings Securities Ltd, and from July 1985 until July 1988, he served as an Associate Director of McIntosh Securities, now Merrill Lynch Australia. In his roles with these various financial institutions, Mr. Marks was responsible for advising a substantial number of listed and unlisted companies on issues ranging from corporate and company structure, valuations, business strategies, acquisitions and international opportunities. Mr. Marks holds a Bachelor of Economics degree, a Bachelor of Law degree and Graduate Diploma in Commercial Law from Monash University in Melbourne, Australia, and an MBA degree from the Scottish School of Business at the University of Edinburgh. Mr. Marks currently serves as a director on ASX and Nasdaq listed companies, Noxopharm Ltd from March 2016, Nyrada Inc from March 2018 and Iris Metals Ltd from December 2020. Mr. Mark served as director on Fluence Corporation Ltd and Elsie Ltd in the last 3 years.

Mr. Brian Meltzer has served as a director of our Group since December 1999. Subsequent to several years as Chief Economist of ICI Australia (now Orica), Mr. Meltzer spent 25 years in investment banking. His breadth of expertise includes major property transactions, corporate advisory, corporate finance, management buyouts, venture capital and large-scale syndications. He has held a number of Board and Board Advisory roles for private companies in the human resources, health and wellness, aged care, software, entertainment and finance sectors, including Director of a federal government licensed Innovation Investment Fund. In 2015 he acquired a corporate health division of an American multinational then grew it five-fold before selling it in 2021 to the subsidiary of a Canadian multinational. Mr. Meltzer is also a Director of the Australia-Israel Chamber of Commerce and Chairman of Independence Australia, a social enterprise.

Mr. Phillip Hains has served as Company Secretary for our Group since November 2014. Mr. Hains is a Chartered Accountant operating a specialist public practice, “The CFO Solution”. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr. Hains has served the needs of a number of company boards and their related committees. He has over 30 years’ experience in providing businesses with accounting, administration, compliance, and general management services.

There are no family relationships among our directors and senior executives.

Directors' Interests

The relevant interest of each director, as defined by section 608 of the Corporations Act, in the share capital of the Group, as notified by the directors to the ASX in accordance with section 205G(1) of the Corporations Act, at the date of this report is as follows:

| Director | Number of ordinary shares | Number of options over ordinary shares |
|------------------|---------------------------|--|
| Geoffrey Kempler | 18,011,000 | 19,000,000 |
| Lawrence Gozlan | — | 8,250,000 |
| Peter Marks | 43,111 | 8,250,000 |
| Brian Meltzer | 326,666 | 8,250,000 |

Meeting of Directors

The number of meetings our board of directors (including committee meetings of directors) held during the year ended June 30, 2022 and the number of meetings attended by each director were:

| Director | Board Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|---------------------|----------------|---|--------------------------|---|---------------------------------|---|
| | A | B | A | B | A | B |
| Geoffrey Kempler | 8 | 8 | — | — | — | — |
| Lawrence Gozlan | 8 | 8 | — | — | — | — |
| Peter Marks | 8 | 8 | 8 | 8 | 1 | 1 |
| Brian Meltzer | 8 | 8 | 8 | 8 | 1 | 1 |
| David Sinclair (1) | 4 | 4 | — | — | — | — |
| Tristan Edwards (1) | 4 | 4 | — | — | — | — |

A = Number of meetings held during the time the director held office or was a member of the committee.

B = Number of meetings attended

— = Not a member of the relevant committee

(1) David Sinclair and Tristan Edwards resigned on January 4, 2022.

Board Diversity

The table below provides certain information regarding the diversity of our board of directors as of the date of this annual report.

Board Diversity Matrix

| | |
|--|-----------|
| Country of Principal Executive Offices: | Australia |
| Foreign Private Issuer | Yes |
| Disclosure Prohibited under Home Country Law | No |
| Total Number of Directors | 4 |

| | Female | Male | Non-Binary | Did Not Disclose Gender |
|--|--------|------|------------|-------------------------|
| Part I: Gender Identity | | | | |
| Directors | 0 | 4 | | |
| Part II: Demographic Background | | | | |
| Underrepresented Individual in Home Country Jurisdiction | | | | |
| LGBTQ+ | | | | |
| Did Not Disclose Demographic Background | 4 | | | |

B. COMPENSATION

The remuneration report is set out under the following main headings:

- a) Principles used to determine the nature and amount of remuneration
- b) Details of remuneration
- c) Share-based compensation
- d) Key management personnel disclosure
- e) Employment contracts of Directors and other key management personnel

a) Principles used to determine the nature and amount of remuneration

Remuneration policy

Remuneration of all Executive and Non-Executive Directors, Officers and Employees of our Group is determined by the Board following recommendation by the Remuneration Committee.

We are committed to remunerating Senior Executives and Executive Directors in a manner that is market- competitive and consistent with “Best Practice” including the interests of Shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives’ position, experience and performance, and may be satisfied via cash or equity.

In accordance with the approval of our shareholders at our 2004 annual general meeting of shareholders, the aggregate amount available per annum for the remuneration of our non-executive directors for their services (payable in cash, ordinary shares or options) is A\$1,250,000.

| | <u>2022</u> | <u>2021</u> |
|------------------|-------------|-------------|
| | A\$ | A\$ |
| Base fees | | |
| Board - member | 70,000 | 70,000 |

Remuneration policy versus financial performance

The Group’s remuneration policy is not entirely based on our performance, but rather on industry practice.

The Group’s primary focus is research activities with a long-term objective of developing and commercializing our research and development results.

The tables below set out summary information about our earnings and movement in shareholder wealth for the five years to June 30, 2021:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------------|--------------|--------------|--------------|--------------|-------------|
| | A\$ | A\$ | A\$ | A\$ | A\$ |
| Interest income | 2,504 | 20,676 | 17,117 | 108,538 | 201,174 |
| Total comprehensive loss for the year | (12,847,061) | (15,309,353) | (13,456,800) | (12,337,830) | (8,265,737) |

No dividends have been paid for the five years to June 30, 2022.

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------|--------|--------|--------|--------|
| | \$ | \$ | \$ | \$ | \$ |
| ASX share price at start of the year | 0.03 | 0.03 | 0.03 | 0.04 | 0.05 |
| ASX share price at end of the year | 0.01 | 0.03 | 0.02 | 0.03 | 0.04 |
| Basic and diluted loss per share (cents) | (0.53) | (0.90) | (1.50) | (2.00) | (1.58) |

We believe that our performance in terms of earnings will remain negative while we continue in the research and/or trial phase. Shareholder wealth reflects this speculative and volatile market sector. This pattern is indicative of our performance over the past 5 years.

Performance based remuneration

The purpose of a performance bonus is to reward individual performance in line with our Group's objectives. Consequently, performance-based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for our Group. This is regularly measured in respect of performance against key performance indicators ("KPI's").

We use a variety of KPI's to determine achievement, depending on the role of the Executive being assessed.

For details of remuneration refer to Employment Contracts of Directors and Key Management Personnel below.

b) Details of remuneration

The following table sets forth all compensation we paid for the year ended June 30, 2022 with respect to each of our directors and executive officers during the 2022 fiscal year.

| 2022 | Short Term Benefits | | Post-Employment Superannuation Contribution | Long Term Benefits Long-service Leave | Termination Benefit | Equity Options | Total |
|---------------------------------------|---------------------|----------|---|---------------------------------------|---------------------|----------------|------------------|
| | Base Fee | Bonus | | | | | |
| Directors' remuneration | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Mr. Geoffrey Kempler (2) | 377,800 | - | 10,000 | - | - | - | 387,800 |
| Mr. Brian Meltzer | 63,636 | - | 6,359 | - | - | - | 69,995 |
| Mr. Peter Marks | 70,000 | - | - | - | - | - | 70,000 |
| Mr. Lawrence Gozlan (3) | 107,500 | - | - | - | - | - | 107,500 |
| Dr. David Sinclair (4) | 34,888 | - | - | - | - | - | 34,888 |
| Mr. Tristan Edwards (4) | 31,819 | - | 4,194 | - | - | - | 36,013 |
| | <u>685,643</u> | <u>-</u> | <u>20,553</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>706,196</u> |
| Other key management personnel | | | | | | | |
| Dr. David Stamler (1) | 658,393 | - | - | - | - | 965,633 | 1,624,026 |
| Ms. Kathryn Andrews (1) | 296,979 | - | 23,568 | 6,711 | - | 32,531 | 359,789 |
| | <u>955,372</u> | <u>-</u> | <u>23,568</u> | <u>6,711</u> | <u>-</u> | <u>998,164</u> | <u>1,983,815</u> |
| Total | <u>1,641,015</u> | <u>-</u> | <u>44,121</u> | <u>6,711</u> | <u>-</u> | <u>998,164</u> | <u>2,690,011</u> |

- (1) Base Fee includes movements in the annual leave provision for Ms. Kathryn Andrews and Dr. David Stamler in accordance with their employment contracts.
- (2) Includes A\$277,800 in corporate advisory fees paid to an associated entity of Mr. Geoffrey Kempler for business advisory services including investor relations, marketing and business development.
- (3) Includes A\$37,500 in corporate advisory fees paid to an associated entity of Mr. Lawrence Gozlan for corporate advisory services including seeking and advancing opportunities to expand the Group's product pipeline and other sources of funding to commence and continue the Group's clinical trials.
- (4) David Sinclair and Tristan Edwards resigned on January 4, 2022.

The following table sets forth all compensation we paid for the year ended June 30, 2021 with respect to each of our directors and executive officers during the 2021 fiscal year.

| 2021 | Short Term Benefits | | Post-Employment Superannuation Contribution | Long Term Benefits Long-service Leave | Termination Benefit | Equity Options | Total |
|---------------------------------------|---------------------|-------|---|---------------------------------------|---------------------|----------------|-----------|
| | Base Fee | Bonus | | | | | |
| Directors' remuneration | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Mr. Geoffrey Kempler (2) | 487,292 | - | 16,184 | (121,542) | 1,000,000 | 450,777 | 1,832,711 |
| Mr. Brian Meltzer | 66,209 | - | 6,290 | - | - | 225,389 | 297,888 |
| Mr. Peter Marks | 68,333 | - | - | - | - | 225,389 | 293,722 |
| Mr. Lawrence Gozlan (3) | 218,333 | - | - | - | - | 225,389 | 443,722 |
| Dr. David Sinclair | 65,800 | - | - | - | - | 225,389 | 291,189 |
| Mr. Tristan Edwards | 64,774 | - | 1,012 | - | - | 225,389 | 291,175 |
| | 970,741 | - | 23,486 | (121,542) | 1,000,000 | 1,577,722 | 3,450,407 |
| Other key management personnel | | | | | | | |
| Dr. David Stamler (1)(4) | 606,058 | - | - | - | - | 372,843 | 978,901 |
| Ms. Kathryn Andrews (1) | 314,978 | - | 21,694 | 11,257 | - | - | 347,929 |
| | 921,036 | - | 21,694 | 11,257 | - | 372,843 | 1,326,830 |
| Total | 1,891,777 | - | 45,180 | (110,285) | 1,000,000 | 1,950,565 | 4,777,237 |

- (1) Base Fee includes movements in the annual leave provision for Ms. Kathryn Andrews and Dr. David Stamler in accordance with their employment contracts.
- (2) Upon termination of employment as Chief Executive Officer on January 7, 2021 Mr. Geoffrey Kempler received the sum of A\$1 million in accordance with his employment agreement dated September 21, 2007 and accrued leave entitlements. His remuneration includes A\$102,361 in corporate advisory fees paid to an associated entity of Mr. Geoffrey Kempler for business advisory services including investor relations, marketing and business development.
- (3) Includes A\$150,000 in corporate advisory fees paid to an associated entity of Mr. Lawrence Gozlan for corporate advisory services including seeking and advancing opportunities to expand the Group's product pipeline and other sources of funding to commence and continue the Group's clinical trials.
- (4) Remuneration of Dr. David Stamler covered his previous role as Chief Medical Officer and Senior Vice President Clinical Development from July 1, 2020 to January 6, 2021 and CEO effective January 7, 2021.

Performance income as a proportion of total remuneration

All executives are eligible to receive incentives as determined by the Board from time to time. Their performance payments are based on a set monetary value, set number of shares or options or as a portion of base salary. Therefore, there is no fixed proportion between incentive and non-incentive remuneration.

Non-Executive Directors are not entitled to receive bonuses and/or incentives. In the previous year, the Directors have received equity as part of their total remuneration. Employees have received equity as recommended by the Remuneration Committee.

| | Fixed remuneration | | LTI | |
|---------------------------------------|--------------------|-----------|-----------|-----------|
| | 2022 % | 2021 % | 2022 % | 2021 % |
| Directors | | | | |
| Mr. Geoffrey Kempler | 100 | 75 | - | 25 |
| Mr. Brian Meltzer | 100 | 24 | - | 76 |
| Mr. Peter Marks | 100 | 23 | - | 77 |
| Mr. Lawrence Gozlan | 100 | 49 | - | 51 |
| Dr. David Sinclair (1) | 100 | 23 | - | 77 |
| Mr. Tristan Edwards (1) | 100 | 23 | - | 77 |
| Other key management personnel | | | | |
| Dr. David Stamler | 41 | 62 | 59 | 38 |
| Ms. Kathryn Andrews | 91 | 100 | 9 | - |

(1) David Sinclair and Tristan Edwards resigned January 4, 2022.

Long-term incentive (“LTI”) related to remuneration were provided in the form of share-based payments.

There are no short-term incentives considered to be at risk in the current or prior year.

c) Share-based compensation

At the Annual General Meeting held on November 17, 2004, Shareholders approved the establishment of a new Employee and Consultant Plan designed to reward Executives, Employees and/or Consultants for their contributions to the Group. The plan is to be used as a method of retaining key personnel for the growth and development of our intellectual property rights. Due to our United States presence, a United States plan, and an Australian plan were developed. At June 30, 2022, equity had been issued to four (4) Directors, two (2) former Directors, two (2) Key Management Personnel, ten (10) employees and four (4) consultants under the 2004 ASX Plan and 2018 ADS Plan.

The term and conditions of each grant of options affecting Directors and Key Management Personnel remuneration in this reporting period are as follows:

| Grant date | Date vested and exercisable | Expiry date | Exercise price | Vested | Value per option at grant date |
|--------------------|-----------------------------|--------------------|----------------|--------|--------------------------------|
| December 18, 2017 | December 18, 2017 | December 14, 2022 | \$ 0.11 | Yes | \$ 0.05 |
| November 2, 2018 | November 2, 2018 | December 14, 2022 | \$ 0.11 | Yes | \$ 0.02 |
| September 18, 2020 | September 18, 2020 | September 17, 2025 | \$ 0.09 | Yes | \$ 0.03 |
| January 7, 2021 | January 6, 2023 onwards | January 6, 2026 | \$ 0.03 | No | \$ 0.03 |
| July 31, 2021 | July 31, 2021 | July 31, 2024 | \$ 0.07 | Yes | \$ 0.03 |
| November 29, 2021 | November 29, 2022 onwards | November 29, 2026 | \$ 0.02 | No | \$ 0.02 |
| November 29, 2021 | November 29, 2022 onwards | November 29, 2026 | \$ 0.04 | No | \$ 0.02 |

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share as soon as practical after the receipt by us of the completed exercise form and full payment of such exercise price.

The exercise price of options will be equal to or less than the weighted average price at which our shares are traded on the Australian Securities Exchange during the 5 days up to and including the grant date or such other exercise price that the Remuneration Committee determines to be appropriate under the circumstances.

The plan rules contain a restriction on removing the ‘at risk’ aspect of the instruments granted to executives. Plan participants may not enter any transaction designed to remove the ‘at risk’ aspect of an instrument before it vests.

As of June 30, 2022, there were 5,000,000 options over ordinary shares issued as remuneration to one key management personnel of our Group during the current financial year (2021: 140,392,720).

No ordinary shares were issued as a result of exercise of remuneration options by Directors and Key Management Personnel of Alterity Therapeutics Limited during the current or previous financial year.

d) Key management personnel disclosure

Options and right holdings

The number of options over ordinary shares of our Group held during the financial year by each Director of Alterity Therapeutics Limited and other Key Management Personnel of our Group, including their personally related parties, are set out below:

| Share Options of the Group | Balance | Granted as Remuneration No. | Options Exercised No. | Other movements | Balance | Total Vested and Exercisable | Total Unvested |
|----------------------------|------------------|-----------------------------|-----------------------|-----------------|-------------------|------------------------------|-------------------|
| | July 1, 2021 No. | | | | June 30, 2022 No. | June 30, 2022 No. | June 30, 2022 No. |
| Mr. Geoffrey Kempler | 19,000,000 | - | - | - | 19,000,000 | 19,000,000 | - |
| Mr. Lawrence Gozlan | 8,250,000 | - | - | - | 8,250,000 | 8,250,000 | - |
| Mr. Brian Meltzer | 8,250,000 | - | - | - | 8,250,000 | 8,250,000 | - |
| Mr. Peter Marks | 8,250,000 | - | - | - | 8,250,000 | 8,250,000 | - |
| Dr. David Sinclair (1) | 7,000,000 | - | - | (7,000,000) | - | - | - |
| Mr. Tristan Edwards (1) | 7,000,000 | - | - | (7,000,000) | - | - | - |
| Ms. Kathryn Andrews | 500,000 | 5,000,000 | - | (500,000) | 5,000,000 | - | 5,000,000 |
| Dr. David Stamler | 95,392,720 | - | - | (4,000,000) | 91,392,720 | - | 91,392,720 |
| | 153,642,720 | 5,000,000 | - | (18,500,000) | 140,142,720 | 43,750,000 | 96,392,720 |

(1) Options held by David Sinclair and Tristan Edwards were forfeited upon resignation on January 4, 2022.

All vested options are exercisable at the end of the year and there were 96,392,720 options unvested as of June 30, 2022.

| Share Options of the Group | Balance | Granted as Remuneration No. | Options Exercised No. | Other movements | Balance | Total Vested and Exercisable | Total Unvested |
|----------------------------|------------------|-----------------------------|-----------------------|-----------------|-------------------|------------------------------|-------------------|
| | July 1, 2020 No. | | | | June 30, 2021 No. | June 30, 2021 No. | June 30, 2021 No. |
| Mr. Geoffrey Kempler | 5,000,000 | 14,000,000 | - | - | 19,000,000 | 19,000,000 | - |
| Mr. Lawrence Gozlan | 1,250,000 | 7,000,000 | - | - | 8,250,000 | 8,250,000 | - |
| Mr. Brian Meltzer | 1,250,000 | 7,000,000 | - | - | 8,250,000 | 8,250,000 | - |
| Mr. Peter Marks | 1,250,000 | 7,000,000 | - | - | 8,250,000 | 8,250,000 | - |
| Dr. David Sinclair | - | 7,000,000 | - | - | 7,000,000 | 7,000,000 | - |
| Mr. Tristan Edwards | - | 7,000,000 | - | - | 7,000,000 | 7,000,000 | - |
| Ms. Kathryn Andrews | 500,000 | - | - | - | 500,000 | 500,000 | - |
| Dr. David Stamler | 4,000,000 | 91,392,720 | - | - | 95,392,720 | 4,000,000 | 91,392,720 |
| | 13,250,000 | 140,392,720 | - | - | 153,642,720 | 62,250,000 | 91,392,720 |

Shares provided on exercise of remuneration options

No ordinary shares were issued to key management personnel as a result of the exercise of remuneration options during the financial year ended June 30, 2022 and June 30, 2021.

Shareholdings

The number of our ordinary shares held during the financial year by each Director of our Group and other Key Management Personnel other than for remuneration, including their personally related parties, are set out below:

| Fully Paid Ordinary Shares of the Group | Balance | Received as Remuneration No. | Received on Exercise of Options No. | Net Change Other No. | Balance |
|---|------------------|------------------------------|-------------------------------------|----------------------|-------------------|
| | July 1, 2021 No. | | | | June 30, 2022 No. |
| Mr. Geoffrey Kempler | 18,011,000 | - | - | - | 18,011,000 |
| Mr. Lawrence Gozlan | - | - | - | - | - |
| Mr. Brian Meltzer | 326,666 | - | - | - | 326,666 |
| Mr. Peter Marks | 43,111 | - | - | - | 43,111 |
| Mr. David Sinclair (1) | - | - | - | - | - |
| Mr. Tristan Edwards (1) | - | - | - | - | - |
| Ms. Kathryn Andrews | - | - | - | - | - |
| Dr. David Stamler | - | - | - | - | - |
| | 18,380,777 | - | - | - | 18,380,777 |

(1) David Sinclair and Tristan Edwards resigned on January 4, 2022.

| Fully Paid Ordinary Shares of the Group | Balance July 1, 2020 No. | Received as Remuneration No. | Received on Exercise of Options No. | Net Change Other No. | Balance June 30, 2021 No. |
|--|---|---|--|-------------------------------------|--|
| Mr. Geoffrey Kempler | 18,011,000 | - | - | - | 18,011,000 |
| Mr. Lawrence Gozlan | - | - | - | - | - |
| Mr. Brian Meltzer | 326,666 | - | - | - | 326,666 |
| Mr. Peter Marks | 43,111 | - | - | - | 43,111 |
| Dr. David Sinclair | - | - | - | - | - |
| Mr. Tristan Edwards | - | - | - | - | - |
| Ms. Kathryn Andrews | - | - | - | - | - |
| Dr. David Stamler | - | - | - | - | - |
| | <u>18,380,777</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,380,777</u> |

Loans to key management personnel

There were no loans made to the Directors or other Key Management Personnel, including their personally related parties.

Other transactions with key management personnel

There were no further transactions with Key Management Personnel not disclosed above.

e) Employment contracts of Directors and other key management personnel

The following Directors and Key Management Personnel were under contract at June 30, 2022:

| Key management personnel | Duration | Notice Requirements | Termination |
|-------------------------------------|--|--|--|
| Kathryn Andrews | Until termination by either party. Signed 11 November 2014 | Ms. Andrews may terminate with 30 days' notice, or Without Cause the Group may terminate with 30 days' notice, or With Cause the Group may terminate without notice | Accrued entitlements including all unreimbursed business expenses. Permitted to keep and/or exercise options that have vested at the time of termination |
| David Stamler | Until termination by either party. Signed 6 January 2021. | Each party will be required to provide 6 months' notice of termination unless otherwise agreed to in writing. For Good Reason, Dr. Stamler may terminate at any time upon written notice With Cause, the Group may terminate at any time upon written notice | Accrued entitlements including all unreimbursed business expenses Vested but unexercised options shall be exercisable within 30 days after the date of termination Unvested options will terminate automatically without further notice Payment of accrued salary, accrued but unused vacation pay and approved but unreimbursed expenses that are owed to date of termination Payment equivalent to 100% of current annualized salary Vested but unexercised options shall be exercisable within 30 days after the date of termination Unvested options will terminate automatically without further notice Payment limited to accrued salary, accrued but unused vacation pay and approved but unreimbursed expenses that are owed to date of termination. All options shall be canceled upon date of termination |

(End of Remuneration Report)

C. BOARD PRACTICES

Introduction

Our Board of Directors is elected by and accountable to our shareholders. Our Board of Directors' responsibilities are divided into operating activities, financial and capital markets activities and scientific activities. The Chairman of our Board of Directors, currently Mr. Geoffrey Kempler, is responsible for the management of the Board of Directors and its functions.

Election of Directors

Directors are elected at our annual general meeting of shareholders. Under our Constitution, the term of office of our directors are staggered, such that at every annual general meeting of shareholders one-third, rounded down to the nearest whole number, of the directors, except a Managing Director, must retire from office and may offer himself/herself for re-election. No director, except a Managing Director, shall retain office for a period in excess of three years without submitting for re-election. Our Board of Directors has the power to appoint any person to be a director, either to fill a vacancy or as an additional director (provided that the total number of directors does not exceed the maximum allowed by law), and any director so appointed may hold office only until the next annual general meeting when he or she shall be eligible for election. Mr. Brian Meltzer must retire and may stand for re-election at our 2022 annual general meeting of shareholders.

Non-Executive and Independent Directors

Australian law does not require a company to appoint a certain number of independent directors to its board of directors or audit committee.

Under the rules of the NASDAQ Stock Market, a majority of our Board of Directors must qualify as independent directors within the meaning of the rules of the NASDAQ Stock Market, each of whom satisfies the respective "independence" requirements of the NASDAQ Stock Market Rules and the Securities and Exchange Commission. Our Board of Directors has determined that each of Messrs. Peter Marks and Brian Meltzer qualifies as an independent director under the NASDAQ Stock Market and the Securities and Exchange Commission. As a foreign private issuer whose shares are listed on The NASDAQ Capital Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Stock Market Rules. This includes NASDAQ rule 5605(b)(1) requiring a majority of independent directors.

Committees of the Board of Directors

Our Board of Directors has established the following committees:

Audit Committee. The NASDAQ Stock Market rules require us to establish an audit committee comprised of at least three members, each of whom is financially literate and satisfies the respective “independence” requirements of the Securities and Exchange Commission and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company. As a foreign private issuer whose shares are listed on The NASDAQ Capital Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Stock Market Rules. This includes the Rule related to Audit Committee Composition rule 5605(c)(2)(A): we may have an audit committee composed of two members instead of “at least three members”.

Our Audit Committee assists our Board of Directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent public accountants’ qualifications and independence, the performance of our internal audit function and independent public accountants, and such other duties as may be directed by our Board of Directors. The Audit Committee is also required to assess risk management. The audit committee meets at least four times per year.

Our Audit Committee currently consists of two board members, each of whom satisfies the “independence” requirements of the Securities and Exchange Commission and the NASDAQ Market Rules. Our Audit Committee is currently composed of Messrs. Marks and Meltzer. Our Board of Directors has determined that Mr. Meltzer meets the definition of an audit committee financial expert, as defined by rules of the Securities and Exchange Commission.

Remuneration Committee. Our Board of Directors has established a Remuneration Committee, which is comprised solely of independent directors, within the meaning of the NASDAQ Stock Market Rules. The Remuneration Committee is responsible for reviewing the salary, incentives and other benefits of our executive officers and to make recommendations on such matters for approval by our Board of Directors. The Remuneration Committee is also responsible for overseeing and advising our Board of Directors with regard to the adoption of policies that govern our compensation programs, including share and ADS option and employee benefit plans. Additionally, the Remuneration Committee administers our share and ADS option plans and any other employee benefit plans through a sub-committee that it established for this purpose (see Share Plan Committee below). Messrs. Marks and Meltzer are the current members of the Remuneration Committee, each of whom qualifies as an “independent director” within the meaning of the NASDAQ Stock Market Rules.

Share Plan Committee. Our Remuneration Committee has established a sub-committee, the Share Plan Committee, which administers our share and ADS option plans. Messrs. Marks and Meltzer are the current members of the Share Plan Committee, each of whom qualifies as an “independent director” within the meaning of the NASDAQ Stock Market Rules.

Directors’ Service Contracts

There are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company or any of our subsidiaries.

Indemnification of Directors and Officers

Our Constitution provides that, subject to the Australian Corporations Act, every director, secretary, manager or officer of our company or any person employed by our company as auditor shall be indemnified out of our funds against all liability incurred by such person as a director or officer in defending proceedings, whether civil or criminal, in which judgment is given in the persons favor or in which the person is acquitted in connection with any application under the Australian Corporations Act in which relief is granted to the person by a Court.

Under our Constitution no director, auditor or other officer shall be liable for (i) any acts, receipts, neglect or defaults of any other director or officer for joining in any receipt or other act for conformity; (ii) any loss or expense that may happen to us through the inefficiency or deficiency of title to any property acquired by order of the directors or on our behalf; (iii) the inefficiency or deficiency of any security in or upon which any of our monies shall be invested; (iv) any loss or damage arising from bankruptcy, insolvency or tortuous act of any person with whom any monies, securities or effects shall be deposited; (v) any loss occasioned by any error of judgment, omission, default or oversight on the persons part; or (vi) any other loss damage or misfortune whatsoever which shall happen in relation to those things unless the same shall happen through the persons own negligence, default, breach or duty, breach of trust or dishonesty.

In addition, our Constitution provides that to the extent permitted by law, we may pay, or agree to pay, a premium in respect of a contract insuring a person who is or has been an officer of our company or one of our subsidiaries against a liability:

- incurred by the person in his or her capacity as an officer of our company or a subsidiary of our company provided that the liability does not arise out of a conduct involving a willful breach of duty in relation to our company or a subsidiary of our company; or
- for costs and expenses incurred by that person defending proceedings, whatever their outcome.

We maintain a directors' and officers' liability insurance policy. We have established a policy for the indemnification of our directors and officers against certain liabilities incurred as a director or officer, including costs and expenses associated in successfully defending legal proceedings.

D. EMPLOYEES

We consider our employees the most valuable asset of our company. We offer competitive compensation and comprehensive benefits to attract and retain our employees. We believe that an engaged workforce is key to maintaining our ability to innovate.

We are committed to providing a safe work environment for our employees in compliance with applicable regulations. We have taken necessary precautions in response to the recent COVID-19 outbreak, including offering employees flexibility to work from home and mandatory social distancing requirements in the workplace.

As of June 30, 2022, we had 12 employees. Of such employees, nine persons are employed in research and development and three persons in management and administration. Seven employees are located in Australia and five employees are located in the United States.

As of June 30, 2021, we had 11 employees. Of such employees, eight persons are employed in research and development and three persons in management and administration. Seven employees are located in Australia and four employees are located in the United States.

As of June 30, 2020, we had 12 employees. Of such employees, eight persons are employed in research and development and four persons in management and administration. Eight employees are located in Australia and four employees are located in the United States.

Australian and US labor laws and regulations apply to our employees accordingly. The laws concern various matters, including severance pay rights at termination, retirement or death, length of work day and work week, minimum wage, overtime payments and insurance for work-related accidents.

E. SHARE OWNERSHIP

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information as of August 26, 2022 regarding the beneficial ownership of our ordinary shares by each of our directors and executive officers and by all our directors and executive officers as a group:

| Name | Number of Ordinary Shares Beneficially Owned ⁽¹⁾ | Percentage of Ownership ⁽²⁾ |
|---|---|--|
| Geoffrey P. Kempler ⁽³⁾ | 37,011,000 | 1.13% |
| Kathryn J.E. Andrews ⁽⁴⁾ | - | * |
| David A. Stamler ⁽⁵⁾ | - | * |
| Lawrence B. Gozlan ⁽⁶⁾ | 8,250,000 | * |
| Peter A. Marks ⁽⁷⁾ | 8,293,111 | * |
| Brian D. Meltzer ⁽⁸⁾ | 8,576,666 | * |
| All directors and executive officers as a group (8 persons) | 62,130,777 | 1.90% |

* Less than 1%

- Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of the above table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- The percentages shown are based on 3,242,112,237 consisting of 2,406,874,578 ordinary shares and 859,387,659 unlisted options, issued and outstanding as of August 26, 2022.
- Includes options to purchase 5,000,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022, and options to purchase 14,000,000 ordinary shares that are exercisable for A\$0.09 each on or before September 17, 2025. Of the 18,011,000 outstanding ordinary shares, 30,000 ordinary shares are held of record by Mr. Kempler, 14,165,000 ordinary shares are held by Baywick Pty Ltd., an Australian corporation owned by Mr. Kempler, 156,000 ordinary shares are held by Sadarajak Pty Ltd., an Australian corporation owned by Mr. Kempler, 90,000 ordinary shares are held of record by Crystal Triangle Pty Ltd., an Australian corporation owned by Mr. Kempler and 2,970,000 ordinary shares are held of record by NRB Developments Pty Ltd., an Australian corporation in which Mr. Kempler holds a 50% interest, 600,000 ordinary shares are held of record by Sandhurst Trustees Ltd. Mr. Kempler may be deemed to be the beneficial owner of the ordinary shares held of record by Baywick Pty Ltd., Crystal Triangle Pty Ltd., NRB Developments Pty Ltd. and Sandhurst Trustees Ltd.
- Includes options to purchase 5,000,000 ordinary shares that are exercisable for A\$0.04 consideration on or before November 29, 2026.
- Includes options to purchase 91,392,720 ordinary shares that are exercisable for A\$0.03 each on or before January 6, 2026.
- Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. Also includes options to purchase 7,000,000 ordinary shares that are exercisable for A\$0.09 each on or before September 17, 2025.
- Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. Also includes options to purchase 7,000,000 ordinary shares that are exercisable for A\$0.09 each on or before September 17, 2025. The 43,111 outstanding ordinary shares are held of record by Lampam Pty Ltd., an Australian corporation owned by Mr. Peter Marks.
- Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. Also includes options to purchase 7,000,000 ordinary shares that are exercisable for A\$0.09 each on or before September 17, 2025. The 326,666 outstanding ordinary shares are held of record by BT Panorama Investment., a superannuation fund of Mr. Meltzer.

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Stock Option Plans

In November 2004, we adopted the 2004 Employees', Directors' and Consultants' Share and Option Plan, or the 2004 ASX Plan, and the 2004 American Depositary Share (ADS) Option Plan, or the 2004 ADS Plan. In November 2018 we adopted an updated ADS plan with substantially the same terms as the 2004 ADS Plan for a new ten-year term. For the description below, the 2004 ASX Plan and 2018 ADS Plan are referred to together as the Stock Option Plans. Under the 2004 ASX Plan we may issue ordinary shares and under the 2018 ADS Plan we may issue ADSs. We were initially authorized to issue under the Stock Option Plans up to an aggregate 12,000,000 ordinary shares or ADSs representing 12,000,000 ordinary shares. Pursuant to subsequent shareholder approvals, the most recent of which was in November 2020, we are entitled to issue up to an aggregate 200,000,000 ordinary shares (or ADSs representing 200,000,000 ordinary shares) under the Stock Option Plans. Any increase in such maximum number of ordinary shares or ADSs issuable under the Stock Option Plans is subject to shareholder approval.

2004 ASX Plan. The purpose of the 2004 ASX Plan is to promote the interest of our company and the interest of the employees, directors and consultants of our company and its subsidiaries. Under the 2004 ASX Plan, we may issue to employees, directors and consultants of our company and its subsidiaries, from time to time, ordinary shares, either by issuance of ordinary shares or under options to purchase ordinary shares granted under the 2004 ASX Plan.

The 2004 ASX Plan is administered by the Share Plan Committee, a sub-committee of the Remuneration Committee. For the purpose of the disclosure below, the term "Remuneration Committee" shall refer to the Remuneration Committee or Share Plan Committee, as applicable. Subject to Board approval where required by applicable law, the Remuneration Committee has the authority, in its sole discretion, to grant options under the 2004 ASX Plan, to interpret the provisions of the 2004 ASX Plan and to prescribe, amend, and rescind rules and regulations relating to the 2004 ASX Plan or any issue or grant thereunder as it may deem necessary or advisable, subject to any other approval if required by applicable law. All decisions made by the Remuneration Committee pursuant to the provisions of the 2004 ASX Plan will be final, conclusive and binding on all persons.

The number of shares issued or options granted, the exercise price and option term or options granted, the vesting schedule and escrow periods of shares issued and options granted, under the 2004 ASX Plan are determined by the Remuneration Committee, in accordance with the provisions of the ASX Plan, and specified in an offer document from our company and accepted by the eligible person, subject to the terms of the 2004 ASX Plan. Options granted under the 2004 ASX Plan will be unlisted and exercisable at an exercise price equal to less than market value of an ordinary share on the ASX at the date of grant, or such other exercise price that the Remuneration Committee determines to be appropriate under the circumstances. The term of an option granted under the 2004 ASX Plan will be determined by the Remuneration Committee; however, no option will be exercisable after the expiration of ten years from the date of its grant. Except as otherwise provided in the 2004 ASX Plan or determined by the Remuneration Committee and set forth in an offer document, the issuance of shares and exercise of options granted under the 2004 ASX Plan will either (i) be subject to an escrow, under which such shares or options cannot be disposed of or exercised, respectively, within six months from the date of issue or grant (or 12 months if issued or granted to a director); or (ii) will vest over a four year period in four equal installments, 25% at the end of each year from the date of grant. Shares issued and options granted under the 2004 ASX Plan may be subject to other performance criteria and hurdles, as determined by the Remuneration Committee.

2018 ADS Plan. The purpose of the 2018 ADS Plan is to promote the interests of our company and non-Australian based employees, officers, consultants, independent contractors and directors. Options granted under the 2018 ADS Plan may be incentive stock options, as provided in Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, or non-qualified stock options. Incentive stock options may only be granted to employees of our company and its subsidiaries (including, without limitation, officers and directors who are also employees of our company and its subsidiaries) and may not be granted to any owner of 10% or more of the total combined voting power of all classes of stock of our company and subsidiaries, or a 10% Holder. To the extent that the aggregate fair market value, determined on the date that an option is granted, of ADSs, with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year exceeds U.S.\$100,000, such option shall be treated as a non-qualified stock option.

Under the 2018 ADS Plan, we may grant to employees, officers, consultants, independent contractors and directors of our company or any of its subsidiaries, from time to time, options to purchase ADSs representing our ordinary shares. ADSs that are forfeited under the terms of the 2018 ADS Plan and ADSs that are the subject to options that expire unexercised or which are otherwise surrendered by an optionee without receiving any payment or other benefit with respect to such option may again become available for new option grants under the 2018 ADS Plan.

The 2018 ADS Plan is administered by our Share Plan Committee. Subject to Board approval where required by applicable law, the Remuneration Committee has authority, in its sole discretion, to grant options under the 2018 ADS Plan, to interpret the provisions of the 2018 ADS Plan and to prescribe, amend, and rescind rules and regulations relating to the 2018 ADS Plan or any options granted thereunder as it may deem necessary or advisable, subject to any other approval if required by applicable law. All decisions made by the Remuneration Committee pursuant to the provisions of the 2018 ADS Plan shall be final, conclusive and binding on all persons.

The type of option (incentive stock option or non-qualified stock option), exercise price, option term and vesting schedule of options granted under the 2018 ADS Plan are determined by the Remuneration Committee, in accordance with the provisions of the ADS Plan, and specified in an option agreement by and between our company and the optionee, subject to the terms of the 2018 ADS Plan. The exercise price per each ADS will be determined by the Remuneration Committee at the time any option is granted, however the exercise price of an incentive stock option will not be less than 100% of the fair market value of such ADS on the date of the grant and the price of an incentive stock option granted to a 10% Holder will not be less than 110% of the fair market value of such ADS on the date of the grant. Options granted under the 2018 ADS Plan will not be exercisable after the expiration of ten years from the date of grant, and in the case of an incentive stock option granted to a 10% Holder, the term of the option will be five years from the date of grant or such shorter term as may be provided in the option agreement. The options will vest over a four-year period in four equal installments, 25% at the end of each year from the date of grant, unless otherwise provided by the Remuneration Committee in an option agreement.

Options granted under the 2018 ADS Plan are not assignable or transferable by the grantee, other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the grantee only by the grantee or his guardian or legal representative.

A summary of the status of the Stock Option Plans as of June 30, 2022, 2021 and 2020, and changes during the years ended on those dates, is presented below:

| | As of June 30, | | | | | |
|--|----------------|---------------------------------------|-------------|---------------------------------------|-------------|---------------------------------------|
| | 2022 | | 2021 | | 2020 | |
| | Number | Weighted average exercise price (A\$) | Number | Weighted average exercise price (A\$) | Number | Weighted average exercise price (A\$) |
| Options outstanding at the beginning of the year | 160,542,720 | \$ 0.09 | 21,550,000 | \$ 0.10 | 25,300,000 | \$ 0.12 |
| Granted | 45,150,000 | \$ 0.04 | 140,392,720 | \$ 0.05 | - | - |
| Exercised | - | - | - | - | - | - |
| Expired/forfeited | (21,000,000) | \$ 0.08 | (1,400,000) | \$ 0.11 | (3,750,000) | \$ 0.25 |
| Lapsed | - | - | - | - | - | - |
| Options outstanding at the end of the year | 184,692,720 | \$ 0.05 | 160,542,720 | \$ 0.06 | 21,550,000 | \$ 0.10 |
| Options exercisable at the end of the year | 60,150,000 | \$ 0.09 | 69,150,000 | \$ 0.09 | 21,550,000 | \$ 0.10 |

Australian Disclosure Requirements

Indemnifying directors and officers

During the financial year, we maintained an insurance policy to indemnify all current Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. We have not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of our Group or any related body corporate against a liability incurred as such an Officer or Auditor.

Share options on issue during or since the end of the financial year

During or since the end of the financial year the unissued ordinary shares of Alterity Therapeutics Limited under options were as follows:

| Date of expiry | Exercise price (A\$) | Number under options |
|--------------------|----------------------|----------------------|
| December 16, 2022 | 0.11 | 12,450,000 |
| January 31, 2023 | 0.08 | 700,000 |
| September 17, 2025 | 0.09 | 35,000,000 |
| November 23, 2023 | 0.07 | 674,694,939 |
| January 6, 2026 | 0.03 | 91,392,720 |
| July 31, 2024 | 0.07 | 12,000,000 |
| November 29, 2026 | 0.04 | 19,250,000 |
| November 29, 2026 | 0.02 | 13,900,000 |
| | | 859,387,659 |

Shares issued as a result of the exercise of options

During the year ended June 30, 2022 none of our ordinary shares were issued as a result of the exercise of options.

Since June 30, 2022, none of our ordinary shares were issued as a result of the exercise of options.

There are no amounts unpaid on the shares issued as a result of the exercise of the options during and since the end of the current financial year. The amount paid per share is the same as the exercise price.

Proceedings on behalf of our Group

No proceedings have been brought or intervened in on behalf of our Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

We may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with our Group are important, subject to the limitations imposed by the Sarbanes Oxley Act of 2002.

During the year ended June 30, 2022, we engaged the external auditor to provide audit and other assurance services. Please refer to note 20 of the financial statements for further information.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the year ended June 30, 2022 is included in Exhibit 15.2 of this annual report on Form 20-F.

Corporate governance statement

In accordance with ASX listing Rule 4.10.3, the Group's 2022 Corporate Governance Statements can be found on its website at www.alteritytherapeutics.com.

Signed in accordance with a resolution of the Directors made pursuant to s298(2) of the Corporations Act 2001.

/s/ Geoffrey Kempler

Geoffrey Kempler

Chairman

Melbourne

August 31, 2022

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

As of August 26, 2022, Life Biosciences, LLC held 146,300,493 ordinary shares (or ADS equivalents), or 6.1% of our ordinary shares.

According to Schedules 13D filed by Life Biosciences, from March 2, 2022 through March 4, 2022, Life Biosciences disposed of 136,703 ADSs, representing the equivalent of 8,202,180 Ordinary Shares, in a series of transactions pursuant to a 10b5-1 Plan at prices ranging from \$0.7579 to \$0.8202 per ADS in open market transactions. Between March 7, 2022 and March 24, 2022, Life Biosciences disposed of an aggregate of 393,297 ADSs, representing the equivalent of 23,597,820 Ordinary Shares, pursuant to the 10b5-1 Plan. On March 24, 2022, upon the disposition of all shares subject thereto, the 10b5-1 Plan terminated in accordance with its terms. Between July 6, 2022 and July 20, 2022, Life Biosciences disposed of an aggregate of 478,773 ADSs, representing the equivalent of 28,726,380 Ordinary Shares. Between July 21, 2022 and August 26, 2022, Life Biosciences disposed of an aggregate of 1,051,311 ADSs, representing the equivalent of 63,078,660 Ordinary Shares.

There are no other shareholders known to us who own beneficially more than 5% of our ordinary shares.

Significant Changes in the Ownership of Major Shareholders

There have been no other significant changes in the ownership of major shareholders during the year.

Major Shareholders Voting Rights

A major shareholder would not have different voting rights.

Record Holders

As of August 26, 2022, there were 5,590 holders of record of our ordinary shares, of which 22 record holders, holding approximately 59.09% of our ordinary shares, had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor are they representative of where such beneficial holders reside, since many of these ordinary shares were held of record by brokers or other nominees. The majority of trading by our U.S. investors is done by means of ADSs that are held of record by HSBC Custody Nominees Ltd., which held 58.75% of our ordinary shares including 6.08% holding by Life Biosciences LLC as of such date.

As of September 2, 2021, there were 5,869 holders of record of our ordinary shares, of which 22 record holders, holding approximately 67.88% of our ordinary shares, had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor are they representative of where such beneficial holders reside, since many of these ordinary shares were held of record by brokers or other nominees. The majority of trading by our U.S. investors is done by means of ADSs that are held of record by HSBC Custody Nominees Ltd., which held 56.33% of our ordinary shares as of such date.

B. RELATED PARTY TRANSACTIONS

There were no other related party transactions other than those related to Director and Key Management Personnel remuneration.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

See our consolidated financial statements, including the notes thereto, in Item 18.

Legal Proceedings

We are not involved in any legal proceedings nor are we subject to any threatened litigation that is material to our business or financial condition.

Dividend Distribution Policy

We have never paid cash dividends to our shareholders. We intend to retain future earnings for use in our business and do not anticipate paying cash dividends on our ordinary shares in the foreseeable future. Any future dividend policy will be determined by the Board of Directors and will be based upon various factors, including our results of operations, financial condition, current and anticipated cash needs, future prospects, contractual restrictions and other factors as the Board of Directors may deem relevant.

B. SIGNIFICANT CHANGES

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Australian Securities Exchange

Our ordinary shares have traded on the ASX since our initial public offering on March 29, 2000 under the symbol "PBT". On April 8, 2019 we changed our name to Alteryx Therapeutics Limited and our shares have traded under the symbol "ATH" since that date.

NASDAQ Capital Market

On September 5, 2002 our ADSs began trading on the NASDAQ Capital Market under the symbol "PRAN." On April 8, 2019 we changed our name to Alteryx Therapeutics Limited and our ADSs have traded under the symbol "ATHE" since that date.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

The principal listing of our ordinary shares and listed options to purchase ordinary shares is on the ASX. As of April 5, 2002, our ADSs were eligible to trade on the NASDAQ Capital OTC Bulletin Board in the United States and until September 5, 2002, our ADSs traded on the NASDAQ Capital Market under the symbol "PRAN." On April 8, 2019 we changed our name to Alteryx Therapeutics Limited and our ADSs have traded under the symbol "ATHE" since that date. We entered into a Deposit Agreement with the Bank of New York under which the Bank of New York, acting as depositary, issues ADRs. Prior to March 24, 2016, each ADR represented ten of our ordinary shares. On March 24, 2016, we effected a ratio change so that each ADS now represents 60 ordinary shares (representing a 6-for-1 reverse split).

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We were registered on November 11, 1997 as Prana Pty Ltd and on November 26, 1999 we converted to a public company and changed our name to Prana Corporation Ltd. On January 1, 2000, we changed our name to Prana Biotechnology Limited. On April 8, 2019 we changed our name to Alterity Therapeutics Limited. Our registration number is ACN 080699065.

Alterity's Purposes and Objects

As a public company we have all the rights, powers and privileges of a natural person. Our Constitution does not specify any purposes or objects.

The Powers of the Directors

Under the provisions of our Constitution our directors may exercise all of the powers of our company, other than those that are required by our Constitution or the Corporations Act of Australia to be exercised at a general meeting of shareholders. A director may participate in a meeting and vote on a proposal, arrangement or contract in which he or she is materially interested, so long as the director's interest is declared in accordance with the Corporations Act. The authority of our directors to enter into borrowing arrangements on our behalf is not limited, except in the same manner as any other transaction by us.

Annual and Extraordinary Meetings

Our Board of Directors must convene an annual meeting of shareholders at least once every calendar year, within five months of our last fiscal year-end balance sheet date. Notice of at least 28 days prior to the date of the meeting is required. An extraordinary meeting may be convened by the board of directors, it decides or upon a demand of any directors, or of one or more shareholders holding in the aggregate at least five percent of our issued capital. An extraordinary meeting must be called not more than 21 days after the request is made. The meeting must be held not later than two months after the request is given.

Please refer to Exhibit 2.3 for Items 10.B.3, B.4, B.6, B.7, B.8, B.9 and B.10.

C. MATERIAL CONTRACTS

On December 1, 2000, we entered into a research funding and intellectual property assignment agreement with The University of Melbourne, under which The University of Melbourne agreed to conduct certain research projects on our behalf. Such projects include structure-based drug design involving the design of various metal-based compounds as potential diagnostics and therapeutics, drug screening and development involving the characterization of our compounds in vitro and in vivo models of neurodegenerative disorders, and cell-based drug discovery involving the screening and assessment of our compounds in cell-based systems to measure toxicity and cellular dysfunction and to develop new screens for our company. In consideration of such services, we agreed to pay The University of Melbourne a sum of A\$591,000 (inclusive of goods and services tax). In consideration for the assignment of rights to intellectual property developed by the University of Melbourne during the research period, we agreed to pay to the University of Melbourne royalties equal to 1.5% of the net invoice price of all products incorporating such intellectual property sold by us or on our behalf, or, the lesser of 1.5% of the net invoice price of such products sold by a licensee or assignee and 10% of gross revenues received from licensees or assignees relating to the exploitation of such intellectual property. The parties extended the term of this agreement by entering into consecutive agreements on December 1, 2003, December 1, 2006 and December 1, 2009. The recent research funding and intellectual property assignment agreement is deemed to have commenced as of the expiration date of the previous agreement on December 1, 2009 and expired on December 1, 2012. The parties entered into a new research funding and intellectual property assignment agreement with the same key terms which expired on December 31, 2013. The University of Melbourne subcontracted substantial parts of the research to the Florey Institute of Neuroscience and Mental Health. Following the novation of the agreements with the Florey Institute on November 7, 2014, we entered into a sixth research funding and intellectual property assignment agreement. This agreement is ongoing.

On October 13, 2016, we entered into an At-The-Market Issuance Sales Agreement with FBR Capital Markets & Co. and Jones Trading Institutional Services LLC (collectively, the "Agents") under which we could sell up to an aggregate of U.S.\$44,460,787 of ordinary shares represented by ADSs. We agreed to pay the Agents commission equal to 3% of the gross proceeds of the sales price of all ADSs sold through them as sales agent under the sales agreement. The offering of our ADSs pursuant to the sales agreement will terminate on the earliest of (1) the sale of all of the ordinary shares subject to the sales agreement, or (2) termination of the sales agreement by us or the agent. We and the agent may terminate the sales agreement at any time upon five days prior notice. The agent may terminate the sales agreement at any time in certain circumstances, including the occurrence of a material adverse change that, in the sales agent's judgment, may make it impracticable or inadvisable to market or sell our ADSs or a suspension or limitation of trading of our ADSs on The NASDAQ Capital Market.

On November 8, 2017, we entered into Amendment No. 1 to our At-The-Market Issuance Sales Agreement to continue the At-The-Market equity program under which we from time to time may sell up to an aggregate of U.S.\$50,000,000 of ordinary shares represented by ADSs. On December 22, 2020 we entered into Amendment No. 2 to continue the at-the-market equity program under which we from time to time may sell up to an aggregate of U.S.\$50,000,000 of ordinary shares represented by ADSs. As of June 30, 2022, we issued a total amount of 6.3 million ADSs under this At-The-Market Issuance Sales Agreement for gross proceeds of A\$19.87 million (U.S.\$14.95 million).

D. EXCHANGE CONTROLS

Australia has largely abolished exchange controls on investment transactions. The Australian dollar is freely convertible into U.S. dollars. In addition, there are currently no specific rules or limitations regarding the export from Australia of profits, dividends, capital, or similar funds belonging to foreign investors, except that certain payments to non-residents must be reported to the Australian Cash Transaction Reports Agency, which monitors such transactions, and amounts on account of potential Australian tax liabilities may be required to be withheld unless a relevant taxation treaty can be shown to apply.

The Foreign Acquisitions and Takeovers Act 1975

Under Australian law, in certain circumstances foreign persons are prohibited from acquiring more than a limited percentage of the shares in an Australian company without notification to or approval from the Australian Treasurer. These limitations are set forth in the Australian Foreign Acquisitions and Takeovers Act, or the Takeovers Act.

Under the Takeovers Act, as currently in effect, any foreign person, together with associates, is prohibited from acquiring 15% or more of the shares in any company having total assets exceeding A\$266 million or more. In addition, a foreign person may not acquire shares in a company having total assets of A\$266 million or more if, as a result of that acquisition, the total holdings of all foreign persons and their associates will exceed 40% in aggregate without the approval of the Australian Treasurer. However, for "U.S. Investors" and investors from certain other countries, a threshold of A\$1,154 million applies (except in certain circumstances) to each of the previous acquisitions. A "U.S. Investor" is defined by the Takeovers Act as a U.S. national or a U.S. enterprise.

If the necessary approvals are not obtained, the Treasurer may make an order requiring the acquirer to dispose of the shares it has acquired within a specified period of time. Under the current Australian foreign investment policy, however, it is unlikely that the Treasurer would make such an order where the level of foreign ownership exceeds 40% in the ordinary course of trading, unless the Treasurer finds that the acquisition is contrary to the national interest. The same rule applies if the total holdings of all foreign persons and their associates already exceeds 40% and a foreign person (or its associate) acquires any further shares, including in the course of trading in the secondary market of the ADSs. At present, we do not have total assets of A\$266 million.

If the level of foreign ownership exceeds 40% at any time, we would be considered a foreign person under the Takeovers Act. In such event, we would be required to obtain the approval of the Treasurer for our company, together with our associates, to acquire (i) more than 15% of an Australian company or business with assets totaling over A\$252 million; or (ii) any direct or indirect ownership interest in Australian residential real estate.

The percentage of foreign ownership in our company would also be included in determining the foreign ownership of any Australian company or business in which it may choose to invest. Since we have no current plans for any such acquisitions and do not own any property, any such approvals required to be obtained by us as a foreign person under the Takeovers Act will not affect our current or future ownership or lease of property in Australia.

Our Constitution does not contain any additional limitations on a non-resident's right to hold or vote our securities.

Australian law requires the transfer of shares in our company to be made in writing. No stamp duty will be payable in Australia on the transfer of ADSs.

E. TAXATION

The following is a discussion of Australian and U.S. tax consequences material to our shareholders. To the extent that the discussion is based on tax legislation which has not been subject to judicial or administrative interpretation, the views expressed in the discussion might not be accepted by the tax authorities in question or by court. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.

Holders of our ADSs should consult their own tax advisors as to the United States, Australian or other tax consequences of the purchase, ownership and disposition of ADSs, including, in particular, the effect of any foreign, state or local taxes.

AUSTRALIAN TAX CONSEQUENCES

In this section we discuss the material Australian tax considerations that apply to non-Australian tax residents with respect to the acquisition, ownership and disposal of the absolute beneficial ownership of ADSs, which are evidenced by ADRs. This discussion is based upon existing Australian tax law as of the date of this annual report, which is subject to change, possibly retrospectively. This discussion does not address all aspects of Australian income tax law which may be important to particular investors in light of their individual investment circumstances, such as ADSs or shares held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax exempt organisations). In addition, this summary does not discuss any foreign or state tax considerations, other than stamp duty. Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the purchase, ownership and disposition of the ADSs or shares.

Nature of ADSs for Australian Taxation Purposes

Holders of our ADSs are treated as the owners of the underlying ordinary shares for Australian income tax and capital gains tax purposes. Therefore, dividends paid on the underlying ordinary shares will be treated for Australian tax purposes as if they were paid directly to the owners of ADSs, and the disposal of ADSs will be treated for Australian tax purposes as the disposal of the underlying ordinary shares. In the following analysis we discuss the application of the Australian income tax and capital gains tax rules to non-Australian resident holders of ADSs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be 'franked' to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends that are not franked or are partly franked and are paid to non-Australian resident shareholders are subject to dividend withholding tax, but only to the extent the dividends are not franked.

Unfranked dividends paid to a non-resident shareholder are subject to withholding tax at 30%, unless the shareholder is a resident of a country with which Australia has a double taxation agreement. In accordance with the provisions of the Double Taxation Convention between Australia and the United States., the maximum rate of Australian tax on unfranked dividends to which a resident of the United States is beneficially entitled is 15%, where the U.S. resident holds less than 10% of the voting rights in our company, or 5% where the U.S. resident holds 10% or more of the voting rights in our company. The Double Taxation Convention between Australia and the United States does not apply to limit the tax rate on dividends where the ADSs are effectively connected to a permanent establishment or a fixed base carried on by the owner of the ADSs in Australia through which the shareholder carries on business or provides independent personal services, respectively.

Tax on Sales or other Dispositions of Shares - Capital Gains Tax

Australian capital gains derived by non-Australian residents in respect of the disposal of capital assets that are not taxable Australian property will be disregarded. Non-Australian resident shareholders will not be subject to Australian capital gains tax on the capital gain made on a disposal of our shares, unless they, together with associates, hold 10% or more of our issued capital, tested either at the time of disposal or over any continuous 12 month period in the 24 months prior to disposal, and the value of our shares at the time of disposal are wholly or principally attributable to Australian real property assets.

Australian capital gains tax applies to net capital gains at a taxpayer's marginal tax rate. Previously, certain shareholders, such as individuals were entitled to a discount of 50% for capital gains on shares held for greater than 12 months. However, as part of the 2012-2013 Federal Budget measures, the Australian Government announced changes to the application of the CGT discount for foreign resident individuals on taxable Australian assets, including shares. These changes became effective on June 29, 2013.

The effect of the change is to:

- Retain access to the full CGT discount for discount capital gains of foreign resident individuals in respect of the increase in the value of a CGT asset that occurred before May 9, 2013; and
- Remove the CGT discount for discount capital gains for foreign resident individuals that arise after May 8, 2013.

Foreign residents will still have access to a discount on discount capital gains accrued prior to May 8, 2013 provided they choose to obtain a market valuation for their assets as of that date.

Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

Tax on Sales or other Dispositions of Shares - Shareholders Holding Shares on Revenue Account

Some non-Australian resident shareholders may hold shares on revenue rather than on capital account, for example, share traders. These shareholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia.

Non-Australian resident shareholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5% for non-Australian resident individuals. Some relief from the Australian income tax may be available to such non-Australian resident shareholders under the Double Taxation Convention between the United States and Australia, for example, because the shareholder does not have a permanent establishment in Australia.

To the extent an amount would be included in a non-Australian resident shareholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

Dual Residency

If a shareholder were a resident of both Australia and the United States under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax applicable would be limited by the Double Taxation Convention. Shareholders should obtain specialist taxation advice in these circumstances.

Stamp Duty

A transfer of shares of a company listed on the ASX is not subject to Australian stamp duty except in some circumstances where one person, or associated persons, acquires 90% or more of the shares.

Australian Death Duty

Australia does not have estate or death duties. No capital gains tax liability is realised upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries, may, however, give rise to a capital gains tax liability.

Goods and Services Tax

The issue or transfer of shares will not incur Australian goods and services.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material U.S. federal income tax consequences that generally apply to U.S. Holders (as defined below) who hold ADSs as capital assets. This summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, judicial and administrative interpretations thereof, and the bilateral taxation convention between Australia and the United States, or the Tax Treaty, all as in effect on the date hereof and all of which are subject to change either prospectively or retroactively. This summary does not discuss all the tax consequences that may be relevant to an investment in ADSs by a U.S. Holder in light of such holder's particular circumstances or to U.S. Holders subject to special rules, including broker-dealers, financial institutions, certain insurance companies, investors liable for alternative minimum tax, tax-exempt organisations, regulated investment companies, non-resident aliens of the U.S. or taxpayers whose functional currency is not the U.S. dollar, persons who hold the ADSs through partnerships or other pass-through entities, persons who acquired their ADSs through the exercise or cancellation of any employee stock options or otherwise as compensation for their services, investors that actually or constructively own 10% or more of our shares by vote or value, investors holding ADSs as part of a straddle or appreciated financial position or as part of a hedging or conversion transaction, and persons required to accelerate the recognition of any item of income with respect to the ADSs as a result of such income being recognized on an applicable financial statement.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns ADSs, the U.S. federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns ADSs and the partners in such partnership should consult their own tax advisors about the U.S. federal income tax consequences of holding and disposing of ADSs.

This summary does not address the effect of any U.S. federal taxation other than U.S. federal income taxation. In addition, this summary does not include any discussion of U.S. federal estate and gift tax, state, local or foreign taxation. You are urged to consult your tax advisors regarding the foreign and U.S. federal, state and local tax considerations of an investment in ADSs.

For purposes of this summary, the term "U.S. Holder" means an individual who is a citizen or, for U.S. federal income tax purposes, a resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision thereof, an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if (a) a court within the United States is able to exercise primary supervision over administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

For purposes of the discussion below, it is assumed that the representations contained in the deposit agreement governing the ADSs are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms.

Taxation of Dividends

For U.S. federal income tax purposes, U.S. Holders of ADSs will be treated as owning the underlying ordinary shares represented by the ADSs held by them. Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any distributions received with respect to the underlying ordinary shares represented by the ADSs, including the amount of any Australian taxes withheld therefrom, will constitute dividends for U.S. federal income tax purposes, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. You will be required to include this amount of dividends in gross income as ordinary income. Distributions in excess of our earnings and profits will be treated as a non-taxable return of capital to the extent of your tax basis in the ADSs. Any amount in excess of your tax basis will be treated as gain from the sale of ADSs. See “Disposition of ADSs” below for the discussion on the taxation of capital gains. Dividends will not qualify for the dividends-received deduction generally available to corporations under Section 243 of the Code.

Dividends that we pay in Australian dollars, including the amount of any Australian taxes withheld therefrom, will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received. A U.S. Holder who receives payment in Australian dollars and converts Australian dollars into U.S. dollars at an exchange rate other than the rate in effect on such day will likely have a foreign currency exchange gain or loss, which would be treated as U.S.-source ordinary income or loss.

Subject to complex limitations, any Australian withholding tax imposed on our dividends will be a foreign income tax eligible for credit against a U.S. Holder’s U.S. federal income tax liability (or, alternatively, for deduction against income in determining such tax liability). The limitations set forth in the Code include computational rules under which foreign tax credits allowable with respect to specific classes of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such class of income. Dividends generally will be treated as foreign-source passive category income or general category income for U.S. foreign tax credit purposes, depending upon the holder’s circumstances. A U.S. Holder will be denied a foreign tax credit with respect to Australian income tax withheld from dividends received with respect to the underlying ordinary shares represented by the ADSs to the extent such U.S. Holder has not held the ADSs for at least 16 days of the 31-day period beginning on the date that is 15 days before the ex-dividend date or to the extent such U.S. Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. Holder has substantially diminished its risk of loss on the ADSs are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex. You should consult with your own tax advisors to determine whether and to what extent you would be entitled to this credit.

Subject to certain limitations, “qualified dividend income” received by a non-corporate U.S. Holder will be subject to tax at a reduced maximum tax rate of 20 percent. Distributions taxable as dividends generally qualify for the 20 percent rate provided that either: (i) the issuer is entitled to benefits under the Tax Treaty or (ii) the ADSs are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that we are entitled to benefits under the Tax Treaty and that the ADSs currently are readily tradable on an established securities market in the United States. However, no assurance can be given that the ADSs will remain readily tradable. Furthermore, the reduced rate does not apply to dividends received from PFICs. The amount of foreign tax credit is limited in the case of foreign qualified dividend income. U.S. Holders of ADSs should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Disposition of ADSs

If you sell or otherwise dispose of ADSs, you will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and your adjusted tax basis in the ADSs. Subject to the PFIC rules discussed below, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if you have held the ADSs for more than one year at the time of the sale or other disposition. In general, any gain that you recognize on the sale or other disposition of ADSs will be U.S.-source for purposes of the foreign tax credit limitation; losses will generally be allocated against U.S.-source income. Deduction of capital losses is subject to certain limitations under the Code.

In the case of a cash basis U.S. Holder who receives Australian dollars in connection with the sale or disposition of ADSs, the amount realized will be based on the U.S. dollar value of the Australian dollars received with respect to the ADSs as determined on the settlement date of such exchange. A U.S. Holder who receives payment in Australian dollars and converts them into U.S. dollars at a conversion rate other than the rate in effect on the settlement date may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss.

An accrual basis U.S. Holder may elect the same treatment of foreign currency gain or loss required of cash basis taxpayers with respect to a sale or disposition of ADSs, provided that the election is applied consistently from year to year. Such election may not be changed without the consent of the Internal Revenue Service, or IRS. In the event that an accrual basis U.S. Holder does not elect to be treated as a cash basis taxpayer (pursuant to the Treasury regulations applicable to foreign currency transactions), such U.S. Holder may have a foreign currency gain or loss for U.S. federal income tax purposes because of differences between the U.S. dollar value of the Australian dollars received prevailing on the trade date and the settlement date. Any such currency gain or loss would be treated as ordinary income or loss and would be in addition to gain or loss, if any, recognised by such U.S. Holder on the sale or other disposition of such ADSs.

Passive Foreign Investment Companies

We are likely a PFIC for U.S. federal income tax purposes for some U.S. Holders of our ADSs and a controlled foreign corporation (CFC) to other U.S. Holders of our ADSs. Our treatment as a PFIC could result in a reduction in the after-tax return to those U.S. Holders of our ADSs and may affect the value of the securities.

For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. Passive income generally includes dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets that produce passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that we became a PFIC during the taxable year ended June 30, 2005. We believe that we continued to be classified as a PFIC during the taxable year ended June 30, 2022 for some U.S. Holders of our ADSs and may continue to be a PFIC for each of the subsequent fiscal years.

If we are a PFIC with respect to you, our dividends (if any are paid) will not qualify for the reduced maximum tax rate, discussed above, and, unless you timely elect to “mark-to-market” your ADSs, as described below:

- you will be required to allocate “excess distributions” or gain recognised upon the disposition of ADRs ratably over your holding period for the ADSs. An “excess distribution” is the amount by which distributions during a taxable year in respect of an ADS exceed 125% of the average annual distributions during the three preceding taxable years (or, if shorter, your holding period for the ADSs).
- the amount allocated to each year during which we are considered a PFIC, other than the year of the distribution or disposition, will be subject to tax at the highest individual or corporate tax rate, as the case may be, in effect for that year and an interest charge will be imposed with respect to the resulting tax liability allocated to each such year,
- the amount allocated to the current taxable year and any taxable year before we became a PFIC will be taxable as ordinary income in the current year, and
- you will be required to file an annual return on IRS Form 8621.

The PFIC provisions discussed above apply to U.S. persons who directly or indirectly hold stock in a PFIC.

Generally, a U.S. person is considered an indirect shareholder of a PFIC if it is:

- a direct or indirect owner of a pass-through entity, including a trust or estate, that is a direct or indirect shareholder of a PFIC,
- a shareholder of a PFIC that is a shareholder of another PFIC, or
- a 50%-or-more shareholder of a foreign corporation that is not a PFIC and that directly or indirectly owns stock of a PFIC.

An indirect shareholder may be taxed on a distribution paid to the direct owner of the PFIC and on a disposition of the stock indirectly owned. Indirect shareholders are strongly urged to consult their tax advisors regarding the application of these rules.

If we cease to be a PFIC in a future year, a U.S. Holder may avoid the continued application of the tax treatment described above by electing to be treated as if it sold its ADSs on the last day of the last taxable year in which we were a PFIC. Any gain would be recognized and subject to tax under the rules described above and any loss would not be recognized. A U.S. Holder's basis in its ADSs would be increased by the amount of gain, if any, recognized on the sale. Solely for purposes of the PFIC rules, a U.S. Holder would be required to treat its holding period for its ADSs as beginning on the day following the last day of the last taxable year in which we were a PFIC.

If the ADSs are considered "marketable stock" and if you elect to "mark-to-market" your ADSs, you would not be subject to the rules described above. Instead, you will generally include in income any excess of the fair market value of the ADSs at the close of each tax year over your adjusted basis in the ADSs. If the fair market value of the ADSs has depreciated below your adjusted basis at the close of the tax year, you may generally deduct the excess of the adjusted basis of the ADSs over its fair market value at that time. However, such deductions generally would be limited to the net mark-to-market gains, if any, that you included in income with respect to such ADSs in prior years. Income recognized and deductions allowed under the mark-to-market provisions, as well as any gain or loss on the disposition of ADSs with respect to which the mark-to-market election is made, are treated as ordinary income or loss (except that loss is treated as capital loss to the extent the loss exceeds the net mark-to-market gains, if any, that a U.S. Holder included in income with respect to such ADSs in prior years). However, gain or loss from the disposition of ADSs (as to which a "mark-to-market" election was made) in a year in which we are no longer a PFIC will be capital gain or loss. Our ADSs should be considered "marketable stock" if they traded at least 15 days during each calendar quarter of the relevant calendar year in more than *de minimis* quantities.

A U.S. Holder of ADSs will not be able to avoid the tax consequences described above by electing to treat us as a qualified electing fund, or QEF, because we do not intend to prepare the information that U.S. Holders would need to make a QEF election.

Additional Tax on Investment Income

U.S. Holders that are individuals, estates, or trusts and whose income exceeds certain thresholds will be subject to a 3.8% Medicare contribution tax on net investment income, which will include dividends on and capital gains from the sale or other taxable disposition of ADSs, subject to certain limitations and exceptions.

Backup Withholding and Information Reporting

Payments in respect of ADSs may be subject to information reporting to the IRS and to U.S. backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 24%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories and demonstrate the fact when so required or (ii) furnish a correct taxpayer identification number and make any other required certification.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS, which is generally an annual income tax return.

U.S. individuals who hold certain specified foreign financial assets, including stock in a foreign corporation, with values in excess of certain thresholds are required to file IRS Form 8938 with their U.S. federal income tax return. Such form requires disclosure of information concerning such foreign assets, including their value. Failure to file the form when required is subject to penalties. An exemption from reporting applies to foreign assets held through a U.S. financial institution, generally including a non-U.S. branch or subsidiary of a U.S. institution and a U.S. branch of a non-U.S. institution. Investors are encouraged to consult with their own tax advisors regarding the possible application of this disclosure requirement to their investment in our ADSs.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the Exchange Act, as applicable to “foreign private issuers” as defined in Rule 3b-4 thereunder. As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act, transactions in our equity securities by our officers and directors are exempt from reporting and the “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements that have been examined and reported on, with an opinion expressed by, an independent registered public accounting firm, and we submit reports to the Securities and Exchange Commission on Form 6-K containing (among other things) press releases and unaudited financial information for the first six months of each fiscal year. We post our annual report on Form 20-F on our website (www.alteritytherapeutics.com) promptly following the filing of our annual report with the Securities and Exchange Commission. The information on our website is not incorporated by reference into this annual report.

The documents concerning our company referred to in this annual report may also be inspected at our registered office located at Level 3, 62 Lygon Street, Carlton, Victoria, 3053, Australia.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We invest our excess cash and cash equivalents in interest-bearing accounts and term deposits with banks in Australia. Our management believes that the financial institutions that hold our investments are financially sound and accordingly, minimal credit risk exists with respect to these investments. Certain of our cash equivalents are subject to interest rate risk. Due to the short duration and conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk. Our major market risk is changes in foreign exchange rates as we had approximately A\$29,361,393, A\$21,523,678 and A\$5,403,402 cash held in U.S. dollars, which is our major foreign currency, as of June 30, 2022, 2021 and 2020, respectively. A hypothetical 6% adverse movement, based on average of highest and lowest exchange rate during the year, would reduce the cash balance at the end of each year by approximately A\$1,853,648.

We conduct our activities in mostly in Australia and the USA. We are required to make certain payments in U.S. dollars and other currencies, however we believe an adverse movement in end-of-period exchange rates would not have a material impact on our operating results. In the twelve months ended June 30, 2022, the Australian dollar depreciated against the U.S. dollar by 8.19%. In the financial years 2021 and 2020, the Australian dollar appreciated by 9.16% and depreciated by 1.66% against the U.S. dollar, respectively. A hypothetical 6% adverse movement in the U.S. dollar would increase the cost of our foreign currency payables by approximately A\$131,822.

We do not currently utilize derivative financial instruments or other financial instruments subject to market risk.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Charges Payable by ADS Holders

The table below summarizes the fees and charges that a holder of our ADSs may have to pay, directly or indirectly, to our depository, The Bank of New York Mellon, or BNYM, pursuant to the Deposit Agreement, which was filed as Exhibit 2.1 to our Registration Statement on Form F-6 filed with the SEC on December 21, 2007, and the types of services and the amount of the fees or charges paid for such services. The disclosure under this heading “Fees and Charges Payable by ADS Holders” is subject to and qualified in its entirety by reference to the full text of the Deposit Agreement. The holder of an ADS may have to pay the following fees and charges to BNYM in connection with ownership of the ADS:

| <u>Persons Depositing or Withdrawing Shares Must Pay:</u> | <u>For:</u> |
|--|---|
| <ul style="list-style-type: none"> • U.S.\$3.00 (or less) per 100 ADSs (or portion of 100 ADSs) • U.S.\$0.03 (or less) per ADS • A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs • U.S.\$1.50 (or less) per ADS • Expenses of the depository • Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes • Any charges incurred by the depository or its agents for servicing the deposited securities | <ul style="list-style-type: none"> • Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates • Any cash distribution to you • Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS holders • Transfers, combination and split-up of ADSs • Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars • As necessary • As necessary |

The depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depository may make payments to us to reimburse and/or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depository may use brokers, dealers or other service providers that are affiliates of the depository and that may earn or share fees or commissions.

Fees and Payments Made by the Depository to the Company

We incurred expenses in relation to services for our annual general meeting and special general meeting of shareholders. For the year ended June 30, 2022, we paid BNYM a total of U.S.\$30,423 (comprised of payments for the distribution and printing of meeting material and proxy vote tabulation). For the year ended June 30, 2021, we paid BNYM a total of U.S.\$41,180 (comprised of payments for the distribution and printing of meeting material and proxy vote tabulation).

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarised and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our chief executive officer and chief financial officer to allow timely decisions regarding required disclosure. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of the end of the period covered by this Annual Report on Form 20-F. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2022, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2022. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013). Based on that assessment, our management concluded that as of June 30, 2022, our internal control over financial reporting is effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Brian Meltzer, an independent director, meets the definition of an audit committee financial expert, as defined by rules of the Securities and Exchange Commission. For a brief listing of Mr. Meltzer's relevant experience, see Item 6.A. "Directors, Senior Management and Employees - Directors and Senior Management."

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to all senior financial officers of our company, including our chief executive officer, chief financial officer, chief accounting officer or controller, or persons performing similar functions. The code of ethics is publicly available on our website at www.alteritytherapeutics.com. Written copies are available upon request. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of the codes of ethics, we will disclose the nature of such amendment or waiver on our website.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Public Accountants

The following table sets forth, for each of the years indicated, the fees billed by PricewaterhouseCoopers, which has served as our principal independent registered public accounting firm since November 30, 2006.

| Services Rendered | Year Ended June 30, | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| Audit and review of financial statements ⁽¹⁾ | A\$ 216,400 | A\$ 202,400 |
| Other audit services | A\$ - | A\$ 130,000 |
| Total | A\$ 216,400 | A\$ 332,400 |

- (1) Audit fees consist of services that would normally be provided in connection with statutory and regulatory filings or engagements, including services that generally only the independent accountant can reasonably provide.

Pre-Approval Policies and Procedures

Our Audit Committee has adopted policies and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm. Pre-approval of an audit or non-audit service may be given as a general pre-approval, as part of the audit committee's approval of the scope of the engagement of our independent registered public accounting firm, or on an individual basis. Any proposed services exceeding general pre-approved levels also requires specific pre-approval by our audit committee. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the Securities and Exchange Commission, and also requires the audit committee to consider whether proposed services are compatible with the independence of the registered public accounting firm. All of the fees described above were pre-approved by our Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Issuer Purchase of Equity Securities

Neither we, nor any affiliated purchaser of our company, has purchased any of our securities during the year ended June 30, 2022.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Under NASDAQ Stock Market Rule 5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country (Australian) corporate governance practices instead of certain provisions of the NASDAQ Stock Market Rules. A foreign private issuer that elects to follow a home country practice instead of any NASDAQ rule must submit to NASDAQ, in advance, a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. We have submitted a notice to NASDAQ informing them of that we elect to follow home country practice instead of the following NASDAQ rules:

- the Rule related to Audit Committee Composition rule 5605(c)(2)(A): we may have an audit committee composed of two members instead of "at least three members". We may not follow NASDAQ rules regarding independence of such members (as long as comply Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, subject to the exemptions provided in rule 10A-3(c)), and we may not have a financially sophisticated member as defined.
- the Rule requiring maintaining a majority of independent directors (Rule 5605(b)(1))
- the Rule requiring that our independent directors have regularly scheduled meetings at which only independent directors are present (Rule 56505(b)(2))
- the Rule regarding independent director oversight of director nominations process for directors (Rule 5605(e))
- the Rule regarding independent director oversight of executive officer compensation (Rule 5605(d))
- the requirement to obtain shareholder approval for the establishment or amendment of certain equity based compensation plans (Rule 5635(c), an issuance that will result in a change of control of the company (Rule 5635(b), certain transactions other than a public offering involving issuances of a 20% or more interest in the company (Rule 5635(d) and certain acquisitions of the stock or assets of another company (Rule 5635(a)).

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Our company has elected to furnish financial statements and related information specified in Item 18.

ITEM 18. FINANCIAL STATEMENTS

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Australian Disclosure Requirements

All press releases, financial reports and other information are available on our website: <https://alteritytherapeutics.com/>

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ALTERITY THERAPEUTICS LIMITED (FORMERLY PRANA BIOTECHNOLOGY LIMITED)

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ALTERITY THERAPEUTICS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Australian dollars, except number of shares)

| | Notes | June 30, | |
|---|-------|-------------------|-------------------|
| | | 2022 | 2021 |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 34,806,799 | 28,115,516 |
| Trade and other receivables | 5 | 4,725,361 | 4,277,677 |
| Other current assets | 6 | 1,611,929 | 1,095,753 |
| Total Current Assets | | 41,144,089 | 33,488,946 |
| Non-Current Assets | | | |
| Property and equipment, net of accumulated depreciation of A\$202,380 and A\$374,064 respectively | | 102,551 | 31,313 |
| Right-of-use assets net of accumulated depreciation of A\$312,156 and A\$272,491 respectively | 13 | 115,971 | 65,495 |
| Total Non-Current Assets | | 218,522 | 96,808 |
| Total Assets | | 41,362,611 | 33,585,754 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 7 | 5,079,587 | 2,502,509 |
| Provisions | 8 | 656,267 | 537,368 |
| Lease liabilities | 13 | 57,632 | 27,746 |
| Current tax liabilities | | 26,924 | - |
| Total Current Liabilities | | 5,820,410 | 3,067,623 |
| Non-Current Liabilities | | | |
| Provisions | 8 | 13,753 | 9,768 |
| Lease liabilities | 13 | 59,857 | 37,903 |
| Total Non-Current Liabilities | | 73,610 | 47,671 |
| Total Liabilities | | 5,894,020 | 3,115,294 |
| Net Assets | | 35,468,591 | 30,470,460 |
| Equity | | | |
| Issued capital | 10 | 213,787,061 | 197,447,990 |
| 2022: 2,406,874,578 fully paid ordinary shares | | | |
| Nil options over fully paid ordinary shares | | | |
| 2021: 2,084,016,678 fully paid ordinary shares | | | |
| Nil options over fully paid ordinary shares | | | |
| Reserves | 11 | 3,565,918 | 2,750,884 |
| Accumulated deficit during the development stage | 12 | (181,884,388) | (169,728,414) |
| Total Equity | | 35,468,591 | 30,470,460 |

The accompanying notes are an integral part of the consolidated financial statements.

ALTERITY THERAPEUTICS LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS
(in Australian dollars, except number of shares and per share amounts)

| | Notes | Years ended June 30, | | |
|---|-------|----------------------|---------------------|---------------------|
| | | 2022 | 2021 | 2020 |
| Interest income | 2 | 2,504 | 20,676 | 17,117 |
| Other income | 2 | 5,123,525 | 4,485,225 | 122,729 |
| Intellectual property expenses | | (364,665) | (360,026) | (352,922) |
| General and administration expenses | 3 | (5,513,915) | (6,937,842) | (3,446,139) |
| Research and development expenses | 3 | (14,745,776) | (12,283,848) | (10,098,439) |
| Other operating expenses | | (1,156) | (2,227) | (44,217) |
| Other gains and losses | 3 | 2,722,430 | (297,111) | 333,055 |
| Forfeited options from reserves | | - | 65,800 | 12,016 |
| Loss before income tax expense | | (12,777,053) | (15,309,353) | (13,456,800) |
| Income tax expense | 4 | (70,008) | - | - |
| Loss for the year | | (12,847,061) | (15,309,353) | (13,456,800) |
| Other comprehensive loss | | - | - | - |
| Total comprehensive loss for the year | | (12,847,061) | (15,309,353) | (13,456,800) |
| Loss per share (basic and diluted - cents per share) | 18 | (0.53) | (0.90) | (1.50) |
| Weighted average number of ordinary shares used in computing basic and diluted net loss per share | | 2,405,990,036 | 1,696,876,324 | 894,872,224 |

The accompanying notes are an integral part of the consolidated financial statements.

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ALTERITY THERAPEUTICS LIMITED
CONSOLIDATED CASH FLOW STATEMENTS
(in Australian dollars)

| | Notes | Years Ended June 30, | | |
|---|-------|----------------------|---------------------|--------------------|
| | | 2022 | 2021 | 2020 |
| Cash Flows from Operating Activities | | | | |
| Payments to suppliers and employees | | (16,875,144) | (17,720,622) | (14,363,974) |
| Interest received | | 2,755 | 20,491 | 19,162 |
| R&D tax refund | | 4,126,364 | - | 4,824,880 |
| Interest paid | | (2,285) | (1,299) | (3,878) |
| Other grant received | | 454,120 | 213,235 | - |
| COVID-19 government relief | | - | 158,126 | 92,688 |
| Income tax paid | | (43,084) | - | - |
| Net cash flows used in operating activities | 14(a) | (12,337,274) | (17,330,069) | (9,431,122) |
| Cash Flows from Investing Activities | | | | |
| Payments for purchase of plant and equipment | | (89,147) | (10,472) | (16,744) |
| Net cash flows used in investing activities | | (89,147) | (10,472) | (16,744) |
| Cash Flows from Financing Activities | | | | |
| Proceeds from issue of securities and other equity securities | | 17,176,040 | 39,236,886 | 4,363,886 |
| Payment of share issue costs | | (836,969) | (2,492,650) | (292,768) |
| Principal elements of lease payments | | (34,513) | (58,289) | (89,241) |
| Net cash flows generated from financing activities | | 16,304,558 | 36,685,947 | 3,981,877 |
| Net increase/(decrease) in cash and cash equivalents | | 3,878,137 | 19,345,406 | (5,465,989) |
| Opening cash and cash equivalents brought forward | | 28,115,516 | 9,196,892 | 14,399,904 |
| Exchange rate adjustments on cash and cash equivalents held in foreign currencies | | 2,813,146 | (426,782) | 262,977 |
| Closing cash and cash equivalents carried forward | 14(b) | 34,806,799 | 28,115,516 | 9,196,892 |

The accompanying notes are an integral part of the consolidated financial statements.

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ALTERITY THERAPEUTICS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in Australian dollars, except for number of shares)

| | Notes | Number of Shares | Issued Capital | Reserves | Accumulated Deficit During Development Stage | Total Equity |
|---|---------------|------------------|----------------|-----------|--|--------------|
| Balance, June 30, 2019 | | 860,837,432 | 156,632,636 | 1,158,975 | (141,236,838) | 16,554,773 |
| Initial adoption of IFRS 16 | | - | - | - | (6,261) | (6,261) |
| Restated total equity at 1 July 2019 | | 860,837,432 | 156,632,636 | 1,158,975 | (141,243,099) | 16,548,512 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issuance of shares | 10(b) | 176,520,600 | 4,363,886 | - | - | 4,363,886 |
| Transaction costs from issuance of shares | | - | (292,768) | - | - | (292,768) |
| Expired options | | - | - | (280,838) | 280,838 | - |
| Forfeited options reversed to profit or loss | | - | - | (12,016) | - | (12,016) |
| | | 176,520,600 | 4,071,118 | (292,854) | 280,838 | 4,059,102 |
| Net loss | | - | - | - | (13,456,800) | (13,456,800) |
| Total comprehensive loss for the year | | - | - | - | (13,456,800) | (13,456,800) |
| Balance, June 30, 2020 | | 1,037,358,032 | 160,703,754 | 866,121 | (154,419,061) | 7,150,814 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issuance of shares | 10(b) | 1,046,658,646 | 39,236,886 | - | - | 39,236,886 |
| Non-cash issuance of options to directors and employees | 11(b) | - | - | 1,950,563 | - | 1,950,563 |
| Non-cash issuance of options to consultants | 11(b) | - | - | - | - | - |
| Issuance of shares in connection with exercise of options, net of costs | 10(b) & 11(b) | - | - | - | - | - |
| Transaction costs from issuance of shares | | - | (2,492,650) | - | - | (2,492,650) |
| Forfeited options reversed to profit or loss | | - | - | (65,800) | - | (65,800) |
| | | 1,046,658,646 | 36,744,236 | 1,884,763 | - | 38,628,999 |
| Net loss | | - | - | - | (15,309,353) | (15,309,353) |
| Total comprehensive loss for the year | | - | - | - | (15,309,353) | (15,309,353) |
| Balance, June 30, 2021 | | 2,084,016,678 | 197,447,990 | 2,750,884 | (169,728,414) | 30,470,460 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issuance of shares | 10(b) | 322,857,900 | 17,176,040 | - | - | 17,176,040 |
| Non-cash issuance of options to directors and employees | 11(b) | - | - | 1,179,577 | - | 1,179,577 |
| Non-cash issuance of options to consultants | 11(b) | - | - | 326,544 | - | 326,544 |
| Issuance of shares in connection with exercise of options, net of costs | 10(b) & 11(b) | - | - | - | - | - |
| Transaction costs from issuance of shares | | - | (836,969) | - | - | (836,969) |
| Expired options | | - | - | (240,310) | 240,310 | - |
| Forfeited options of vested options reversed to accumulated deficit | | - | - | (450,777) | 450,777 | - |
| | | 322,857,900 | 16,339,071 | 815,034 | 691,087 | 17,845,192 |
| Net loss | | - | - | - | (12,847,061) | (12,847,061) |
| Total comprehensive loss for the year | | - | - | - | (12,847,061) | (12,847,061) |
| Balance, June 30, 2022 | | 2,406,874,578 | 213,787,061 | 3,565,918 | (181,884,388) | 35,468,591 |

The accompanying notes are an integral part of the consolidated financial statements.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Alterity Therapeutics Limited and its controlled subsidiaries, Alterity Therapeutics Inc. and Alterity Therapeutics UK Limited (referred to collectively as “Alterity” or the “Group”), is a development stage enterprise engaged in the research and development of therapeutic drugs designed to treat the underlying cause of degeneration of the brain focusing on Alzheimer’s disease, Huntington disease, Parkinson’s disease and other neurological disorders. Alterity Therapeutics Limited, the parent entity, was incorporated on November 11, 1997 in Melbourne, Australia and the UK and U.S. subsidiaries were incorporated in August 2004.

Financial Reporting Framework

The financial report of Alterity Therapeutics Limited for the year ended June 30, 2022 was authorized for issue on August 31, 2022.

Alterity Therapeutics Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and Australian equivalent International Financial Reporting Standards, as issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or loss.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended June 30, 2022 and the comparative information presented in these financial statements for the years ended June 30, 2021 and 2020.

Critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based Payments

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R&D Tax Incentives

The Australian Government replaced the research and development tax concession with the research and development tax incentive from July 1, 2011. The provisions provide refundable or non-refundable tax offsets. The research and development tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after July 1, 2011. A 43.5% refundable tax offset will be available to eligible small companies with an annual aggregate turnover of less than \$20 million. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to June 30, 2022 the Group has recorded an item in other income of A\$4.7 million (2021: A\$4.1 million, 2020: Nil) to recognize this amount which relates to this period.

On October 7, 2020, the Treasury Laws Amendment (A Tax Plan for the Covid-19 Economic Recovery Bill 2020) was introduced to the Parliament. This legislation supersedes the Treasury Laws Amendment (Research and Development Incentive) Bill 2019. Under the amendments, commencing July 1, 2021, the refundable tax offset rate for companies with aggregated turnover below \$20 million would become 18.5% above the companies tax rate and the R&D expenditure threshold would be increased from \$100 million to \$150 million.

Management does not consider the rate reduction or the refund cap has material impact towards the Group's R&D tax incentive claim the financial year ended June 30, 2022.

Going Concern Basis

The Group is a development stage medical biotechnology company and as such expects to be utilizing cash until its research activities have become marketable. The Group has incurred recurring losses since inception including an operating loss of \$12,847,061 (2021: \$15,309,353) and an operating cash outflow of \$12,337,274 (2021: \$17,330,069). The Group expects to continue incurring losses into the foreseeable future and will need to raise additional capital to continue the long-term development of its planned research and development programs. Cash and cash equivalents on hand as at June 30, 2022 was A\$34,806,799. During the financial year ended June 30, 2022, the Group raised \$17,176,040 resulting from the sale of shares of our ordinary shares pursuant to the 'At-the-market' (ATM) facility. Furthermore, the Group has recorded a Trade and Other Receivable as at June 30, 2022 of \$4,669,405 from the Australian Taxation Office in respect of our 2022 Research and Development Tax Incentive claim. The Group has sufficient funds to meet our forecast cash outflows for all planned research and development activities, including conduct of the ATH434 Phase 2 clinical study and working capital for at least the next twelve months from the issuance of this report.

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern, which contemplates the realization of assets and the satisfaction of its liabilities in the normal course of business.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of these consolidated financial statements requires the Group to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. On an ongoing basis, the Group evaluates its significant accounting policies and estimates. Estimates are based on historical experience and on various market-specific and other relevant assumptions that the Group believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Estimates are assessed each period and updated to reflect current information, such as the economic considerations related to the impact that COVID-19 could have on the Group's significant accounting estimates. The Group's future assessments of the impact of COVID-19 could result in material impacts to its consolidated financial statements in future periods.

However, COVID-19 has had limited effect thus far on the Group's operation. Development activities have continued with minimal disruption. Slowdown in collaborative research activities do not have a material impact on the Group's operations.

Development Stage – Risks and Uncertainties

As a development stage enterprise, the Group's prospects are subject to the risks, expenses and uncertainties frequently encountered by companies which have not yet commercialized any applications of their technology, particularly in new and evolving markets. Alterity's operating results may fluctuate significantly in the future as a result of a variety of factors, including capital expenditure and other costs relating to establishing, maintaining and expanding the operations, the number and mix of potential customers, potential pricing of future products by the Group and its competitors, new technology introduced by the Group and its competitors, delays or expense in obtaining necessary equipment, economic and social conditions in the biotechnology industry and general economic conditions.

The Group cannot be certain that it will be able to raise any required funding or capital, on favorable terms or at all, or that it will be able to establish corporate collaborations on acceptable terms, if at all. If the Group is unable to obtain such additional funding or capital, it may be required to reduce the scope of its development plans.

The Group's experience in exploiting its technology is limited and it cannot be certain that its operations will be profitable in the short-term, or at all. If the Group fails in its efforts to establish or expand its business, the results of operations, financial condition and liquidity of the Group could be materially adversely affected. The Group cannot be certain that it will be able to sell and deliver its technology or to obtain or retain any permits required in the market in which it operates. Any of these factors could result in the reduction or cessation of the Group's operations.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being Alterity Therapeutics Limited and its subsidiaries as defined in Accounting Standard IFRS10: *Consolidated Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholder of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealized profits/losses arising within the Group are eliminated in full. Investments in subsidiaries are accounted for at cost in the individual financial statements of Alterity Therapeutics Limited.

(b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of Alterity Therapeutics Limited. For the current and previous reporting periods, the Group operated in one segment, being research and development into Parkinsonian and other neurodegenerative disorders.

(c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax (continued)

In principle, deferred tax assets and liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realized or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

The Group has significant unused tax losses and as such a significant deferred tax asset; however, the deferred tax asset has not been recognised, as it is not probable that future taxable profit will be available against which the unused losses and unused tax credits can be utilized, given the nature of the Group's business (research and development) and its history of losses.

(d) Property and Equipment

Property and equipment is measured at historical cost less accumulated depreciation and impairment and consists of laboratory equipment, computer equipment, furniture and fittings and leasehold improvements attributable to the Group's premises at Melbourne, Victoria, Australia and San Francisco, USA.

Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and Equipment (continued)

Depreciation

Depreciation is provided on property and equipment. Depreciation is calculated on a straight-line method to allocate their cost, net of their residual values, over their estimated useful lives.

The following estimated useful lives, ranging from 3 to 20 years are used in the calculation of depreciation:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Furniture and fittings | 5-33% |
| Computer equipment | 33% |
| Plant and equipment | 10-33% |
| Leasehold improvements | 33% |

Leasehold improvements are depreciated over the shorter of the lease term and useful life.

The depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each annual reporting period.

(e) Leases

The accounting policies for the Group's lease recognition are explained in note 13.

(f) Investments and other financial assets

Classification

From July 1, 2019, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment

From July 1, 2019, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5 for further details.

(g) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is reversed to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income immediately.

No impairment charges were incurred during the three years ended June 30, 2022, 2021 and 2020.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible Assets - Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the period as incurred. Development costs are capitalised if and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets (capitalised development costs) are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives over a maximum of five years.

As of June 30, 2022, 2021 and 2020, the Group had no capitalized research and development costs.

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using Australian dollars, which is the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Australian dollars (\$), which is Alterity Therapeutics Limited's functional and presentation currency.

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at each reporting date are translated at the exchange rate existing at each reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign Currency Transactions and Balances (continued)

Subsidiaries

The results and financial position of all the Group's entities that have a functional currency difference from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, and
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operations.

(j) Employee Benefits

Short-term obligations

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

The Group's obligations for annual leave are presented as part of provisions in the Statement of Financial Position. The obligations are presented as current liabilities in the Statement of Financial Position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period regardless of when the actual settlement is expected to occur.

Other long-term obligations

The liability for long service leave is not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(m) Interest income

Other income is made up of interest income which is recognised on a time proportion basis using the effective interest method.

(n) Grants

Grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

(o) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(q) Share-Based Payments

The measurement date is determined for share-based payments issued to directors, employees and consultants as follows:

Directors

The issuance of share-based payments to directors is subject to approval by shareholders as per ASX Listing Rule 10.11. The measurement date for share-based payments issued to directors is the grant date, being the date at which the share-based payments are approved by shareholders.

Employees

The issuance of share-based payments to employees may be subject to shareholder approval per ASX Listing Rule 7.1 which prohibits the issuance of more than 15% of the Group's shares in a 12 month period without shareholder approval. The measurement date for share-based payments issued to employees is the grant date, being the date at which a shared understanding of the terms and conditions of the arrangement is reached. However, if an issuance to an employee is subject to shareholder approval because it exceeds the 15% threshold per ASX Listing Rule 7.1, then the measurement date of these share-based payments is the date at which the share-based payments are approved by shareholders.

Consultants

The issuance of share-based payments to consultants may be subject to shareholder approval per ASX Listing Rule 7.1 which prohibits the issuance of more than 15% of the Group's shares in a 12 month period without shareholder approval. The measurement date for share-based payments issued to consultants who provide services considered to be similar to employees is deemed to be the date at which a shared understanding of the terms and conditions of the arrangement is reached. The measurement date for share-based payments issued to consultants who provide services considered to be differentiated from those provided by employees is deemed to be the date at which the entity obtains the goods or the counterparty renders the service. If a service period applies and the work is continually provided over the service period, and if the share price of the Group does not change significantly during the service period, then the average share price, volatility and risk-free rate over the service period are used in calculating the value of the share-based payments issued. However, if the underlying share price of the Group does change significantly during the service period, then the value of share-based payments are calculated at each individual date that goods and services are provided, using the actual valuation inputs at that date. Shares issued to consultants for services are recorded as non-cash compensation and are recognised at either the fair value of the services rendered, or if this cannot be reasonably estimated, the fair value of the underlying equity instruments issued.

Equity-based compensation benefits are provided to directors, employees and consultants under the 2004 ASX Plan (the "2004 ASX Plan") and the 2018 American Depository Share (ADS) Option Plan (the "2018 ADS Plan"). Information relating to this plan is set out in Note 16.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Share-Based Payments (continued)

The fair value of options granted under these plans is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes (for options without market condition) and Barrier Pricing (for options with market conditions) 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. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(r) Loss Per Share

Basic loss per share is determined by dividing the net loss after income tax expense by the weighted average number of ordinary shares outstanding during the financial period. For all periods presented, diluted loss per share is equivalent to basic loss per share as the potentially dilutive securities are excluded from the computation of diluted loss per share because the effect is anti-dilutive.

(s) Share Capital

Ordinary share capital is recognised as the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(t) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment.

(u) Comparative Figures

Comparative figures, are, where appropriate, reclassified to be comparable with figures presented in the current financial year.

(v) New Accounting Standards and Interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board 'IASB' that are mandatory for the current reporting period.

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

The Directors have also reviewed all the new and revised Standards and Interpretations in issue not yet adopted for the year ended June 30, 2022. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is considered necessary to the Group's accounting policies.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New Accounting Standards and Interpretations (continued)

New Accounting Standards adopted in prior year

The Group has adopted IFRS 16 on a modified retrospective basis, from 1 July 2019, but has not restated comparatives, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.20%.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as of June 30, 2020. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as of July 1, 2019 as short-term leases, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an arrangement contains a Lease.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New Accounting Standards and Interpretations (continued)

Measurement of Lease Liabilities

| | \$ |
|--|----------------|
| Operating lease commitments disclosed as of June 30, 2019 | 111,811 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 108,028 |
| Less short-term lease not recognised as a liability (1) | (13,290) |
| Lease liability recognised as of July 1, 2019 | 94,738 |
| Of which are: | |
| Current lease liability | 77,665 |
| Non-current lease liability | 17,073 |
| | 94,738 |
| Right of use of asset increased by | 88,477 |
| Lease liability increased by | 94,738 |
| The net impact on retained earnings on July 1, 2019 was a decrease of | (6,261) |

(1) The practical expedient guidelines permit operating leases with a remaining lease term of less than 12 months as of July 1, 2019 as short-term leases.

On impact of adoption, the right-of-use assets of \$88,477 are classified under right-of-use assets in the consolidated statement of financial position. The corresponding current lease liability of \$77,665 and the non-current lease liability of \$17,073.

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ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

2. INTEREST AND OTHER INCOME FROM CONTINUING OPERATIONS

| | Years Ended June 30, | | |
|--|----------------------|-----------|---------|
| | 2022 | 2021 | 2020 |
| Interest income | | | |
| Interest income | 2,504 | 20,676 | 17,117 |
| Total interest income | 2,504 | 20,676 | 17,117 |
| Other income | | | |
| R&D Tax Incentive (1) | 4,669,405 | 4,126,364 | - |
| COVID-19 relief (2) | - | 145,626 | 122,729 |
| Other grant (3) | 454,120 | 213,235 | - |
| Total other income | 5,123,525 | 4,485,225 | 122,729 |
| Total interest and other income from continuing operations | 5,126,029 | 4,505,901 | 139,846 |

- (1) A 43.5% R&D Tax incentive refundable tax offset, will be available to eligible small companies with an annual aggregate turnover of less than \$20 million. In the year ended June 30, 2020, the Group did not obtain a Commissioner's Discretion pursuant to subsection 328-126(6) of the *Income Tax Assessment Act 1997* regarding the Group's eligibility to receive the R&D Tax incentive so did not recognize a receivable and other income of \$3,363,433 relating to eligible expenditure for the year ended June 30, 2020. The income tax return for the year ended June 30, 2020 has since been lodged and the R&D Tax Incentive assessed as a non-refundable cash offset. The Group has objected against this assessment. For the years ended June 30, 2022 and June 30, 2021, the Group is eligible to receive the refundable tax offset, so a Commissioner's Discretion was not required and the management has assessed activities and expenditures that are likely to be eligible under the incentive scheme and therefore recorded \$4,669,405 and \$4,126,364 in other income.
- (2) The COVID-19 relief relates to government assistance received during the year, from the Australian Governments (at both federal and state level), in response to the economic and financial challenges in the current economy. This COVID-19 relief consists of the eligible cash flow boost grants and state level payroll tax refund and waivers. The Group has recognised this relief as part of government grants in line with IAS 20.
- (3) Other grant relates to the receipt of grant funding awarded by Michael J. Fox Foundation for Parkinson's Research during the year ended June 30, 2022 and June 30, 2021.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

3. EXPENSES FROM ORDINARY ACTIVITIES

| | Years Ended June 30, | | |
|--|-----------------------------|-------------|-------------|
| | 2022 | 2021 | 2020 |
| Research and Development Expenses (1) | | | |
| Employee expenses | 2,517,516 | 2,169,420 | 2,698,139 |
| Other research and development expenses | 12,228,260 | 10,114,428 | 7,400,300 |
| General and Administration Expenses | | | |
| Depreciation on fixed assets | 17,848 | 18,662 | 25,988 |
| Depreciation on leased assets | 36,366 | 56,707 | 86,439 |
| Employee expenses (non R&D related) | 705,541 | 1,556,078 | 617,889 |
| Consultant and director expenses | 390,896 | 852,369 | 742,390 |
| Audit, internal control and other assurance expenses | 220,798 | 220,198 | 217,506 |
| Corporate compliance expenses | 401,741 | 692,895 | 384,705 |
| Insurance expenses | 655,990 | 531,877 | 628,060 |
| Office rental | 79,329 | 87,612 | 72,757 |
| Other administrative and office expenses | 911,347 | 718,520 | 670,405 |
| Share based payment expenses | 1,506,122 | 1,950,563 | - |
| Corporate advisory expenses | 587,937 | 252,361 | - |
| Other gains and losses | | | |
| Foreign exchange (gain)/loss | (2,722,430) | 297,111 | (333,055) |

- (1) Research and development expenses mainly consist of expenses paid for contracted research and development activities conducted by third parties on behalf of the Group.

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ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

4. INCOME TAX

| | Years Ended June 30, | | |
|---|----------------------|-------------|-------------|
| | 2022 | 2021 | 2020 |
| (a) Income tax expense: | | | |
| Current tax | 50,072 | - | - |
| Adjustment for current tax of prior periods | 19,936 | - | - |
| Deferred tax | - | - | - |
| (b) Numerical reconciliation of income tax expense to prima facie tax payable: | | | |
| Prima facie tax on net loss before income tax at 25% (2021: 26%, 2020: 27.5%) | (3,194,263) | (3,980,432) | (3,700,620) |
| Effect of lower tax rates of tax on overseas income | (9,712) | (11,344) | (18,308) |
| Add tax effect of: | | | |
| Research and development expenditure (net of tax incentive) | 1,516,215 | 1,393,478 | - |
| Research and development tax offset (1) | - | (2,976,920) | - |
| Adjustments for current tax of prior periods (1) | - | 1,764,370 | - |
| Other | 529,075 | 628,535 | 148,105 |
| Deferred tax asset not recognised | 1,108,614 | 3,182,313 | 3,570,823 |
| Income tax expense attributable to loss before income tax | (70,008) | - | - |
| (c) Potential deferred tax asset as of June 30, 2022, 2021 and 2020 in respect of: tax losses not brought to account is (1)(2): | | | |
| Temporary differences | 41,204,149 | 41,223,341 | 40,133,912 |
| | (2,903,797) | (4,549,151) | (1,793,626) |

- (1) As of June 30, 2022, the Group had a potential tax benefit related to gross tax losses carried forward of \$153,026,530 (2021: \$147,101,619) and a non-refundable R&D tax offset of \$2,976,920 (2021: \$2,976,920). The non-refundable tax offset and the adjustment for current tax of prior periods in 2021 relates to the 2020 R&D tax incentive claim which was submitted in 2021 (see Note 2).
- (2) Unused tax loss amounts are only attributable to the Group's operations in Australia, as the subsidiary in the United States has no carryforward tax losses as of June 30, 2022. Tax losses can be carried forward indefinitely subject to continuity of ownership and same business test rules.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

5. TRADE AND OTHER RECEIVABLES

| | Years Ended June 30, | |
|--|-----------------------------|------------------|
| | 2022 | 2021 |
| Accrued interest income | 18 | 269 |
| R&D tax incentive receivable | 4,669,405 | 4,126,364 |
| Goods and services tax receivable | 55,938 | 47,706 |
| Payroll tax receivable | - | 103,338 |
| Total Trade and Other Receivables | 4,725,361 | 4,277,677 |

R&D tax incentive receivable represents the amount of the financial year 2022 R&D tax incentive the Group expects to recover. For further details, see note 2.

6. OTHER CURRENT ASSETS

| | Years Ended June 30, | |
|----------------|-----------------------------|------------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Prepayments | 1,601,697 | 1,086,391 |
| Other | 10,232 | 9,362 |
| Total | 1,611,929 | 1,095,753 |

7. TRADE AND OTHER PAYABLES

| | Years Ended June 30, | |
|---|-----------------------------|------------------|
| | 2022 | 2021 |
| Trade creditors | 2,689,098 | 1,448,546 |
| Accrued research and development expenses | 2,066,500 | 714,677 |
| Accrued professional fees | 185,362 | 155,797 |
| Other accrued expenses | 107,929 | 149,644 |
| Other payables | 57,622 | 33,845 |
| Total | 5,106,511 | 2,502,509 |

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ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

8. PROVISIONS

| | Years Ended June 30, | |
|---------------------------|-----------------------------|----------------|
| | 2022 | 2021 |
| Current | | |
| Annual leave (1) | 371,877 | 273,876 |
| Long service leave (1)(2) | 284,390 | 263,492 |
| Total | 656,267 | 537,368 |
| Non-Current | | |
| Long service leave (2) | 13,753 | 9,768 |

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

(1) Movements in provisions

Movements in each class of provision during the financial year are set out below:

| | Years Ended June 30, | | |
|--|-----------------------------|----------------|----------------|
| | 2022 | 2021 | 2020 |
| Annual leave | | | |
| Carrying amount at start of year | 273,876 | 285,360 | 245,804 |
| Charged/(credited) to profit or loss -additional provisions recognised | 242,532 | 231,981 | 278,686 |
| Amounts used during the year | (158,968) | (231,061) | (240,734) |
| Change in foreign exchange | 14,437 | (12,404) | 1,604 |
| Carrying amount at end of year | 371,877 | 273,876 | 285,360 |
| Long service leave | | | |
| Carrying amount at start of year | 273,260 | 368,193 | 391,167 |
| Charged/(credited) to profit or loss -additional provisions recognised | 25,210 | 31,725 | 40,017 |
| Amounts used during the year | (327) | (126,658) | (62,991) |
| Carrying amount at end of year | 298,143 | 273,260 | 368,193 |
| TOTAL | 670,020 | 547,136 | 653,553 |

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

8. PROVISIONS (continued)

(2) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

| | Years Ended June 30, | |
|--|-----------------------------|-------------|
| | 2022 | 2021 |
| Long service leave obligation expected to be settled after 12 months | 13,753 | 9,768 |

9. COMMITMENTS AND CONTINGENCIES

R&D Tax Incentive

In the year ended June 30, 2020, the Group was unsuccessful in obtaining a Commissioner's Discretion pursuant to subsection 328-126(6) of the *Income Tax Assessment Act 1997* regarding the Group's eligibility to receive the R&D Tax Incentive as a refundable cash offset, so did not recognize a receivable and other income of \$3,363,433 relating to eligible expenditure for that year. The income tax return for the year ended June 30, 2020 has since been lodged and the R&D Tax Incentive assessed as a non-refundable cash offset. The Group has objected against this assessment.

There are no contingent liabilities at the date of this report. The Group is not involved in any legal or arbitration proceedings and, so far as management is aware, no such proceedings are pending or threatened against the Group.

In respect of expenditure commitments, refer to Note 15.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

10. ISSUED CAPITAL

| | Notes | Years Ended June 30, | | |
|--|-------|----------------------|--------------------|--------------------|
| | | 2022 | 2021 | 2020 |
| (a) Issued Capital | | | | |
| 2,406,874,578 (2021: 2,084,016,678) fully paid ordinary shares | 10(b) | 213,787,061 | 197,447,990 | 160,703,754 |
| Nil (2021: Nil) options for fully paid ordinary shares | 10(c) | - | - | - |
| | | <u>213,787,061</u> | <u>197,447,990</u> | <u>160,703,754</u> |

(b) Movements in Issued Shares

| | June 30, | | | | | |
|--------------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| | 2022 | | 2021 | | 2020 | |
| | No. of shares | A\$ | No. of shares | A\$ | No. of shares | A\$ |
| Beginning of the year | 2,084,016,678 | 197,447,990 | 1,037,358,032 | 160,703,754 | 860,837,432 | 156,632,636 |
| Movement during the year | 322,857,900 | 16,339,071 | 1,046,658,646 | 36,744,236 | 176,520,600 | 4,071,118 |
| End of the year | <u>2,406,874,578</u> | <u>213,787,061</u> | <u>2,084,016,678</u> | <u>197,447,990</u> | <u>1,037,358,032</u> | <u>160,703,754</u> |

Details of share issuances are as follows:

| Date | Details | Notes | Number | Issue Price | \$ |
|-------------------------------|---|-------|----------------------|-------------|-------------------|
| July 31, 2019 | Issue of shares under ATM Facility | | 7,962,060 | 0.035 | 277,812 |
| November 21, 2019 | Issue of shares under ATM Facility | | 3,814,380 | 0.025 | 94,694 |
| January 15, 2020 | Issue of shares under ATM Facility | | 758,040 | 0.019 | 14,230 |
| January 16, 2020 | Issue of shares under ATM Facility | | 12,244,020 | 0.020 | 249,402 |
| January 17, 2020 | Issue of shares under ATM Facility | | 6,754,020 | 0.018 | 123,717 |
| March 27, 2020 | Issue of shares under ATM Facility | | 7,042,920 | 0.017 | 120,239 |
| May 25, 2020 | Issue of shares under ATM Facility | | 137,945,160 | 0.025 | 3,483,792 |
| June 30, 2020 | Security issuance costs | | | | (292,768) |
| Year end June 30, 2020 | | | <u>176,520,600</u> | | <u>4,071,118</u> |
| July 2, 2020 | Issue of shares under ATM Facility | | 47,646,000 | 0.033 | 1,562,055 |
| October 23, 2020 | Issue of shares to sophisticated and professional investors | | 271,251,007 | 0.037 | 10,036,287 |
| November 24, 2020 | Issue of shares to sophisticated and professional investors | | 674,694,939 | 0.037 | 24,963,713 |
| February 11, 2021 | Issue of shares under ATM Facility | | 53,066,700 | 0.050 | 2,674,831 |
| June 30, 2021 | Security issuance costs | | | | (2,492,650) |
| Year end June 30, 2021 | | | <u>1,046,658,646</u> | | <u>36,744,236</u> |
| July 2, 2021 | Issue of shares under ATM Facility | | 322,857,900 | 0.053 | 17,176,040 |
| June 30, 2022 | Security issuance costs | | | | (836,969) |
| Year end June 30, 2022 | | | <u>322,857,900</u> | | <u>16,339,071</u> |

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

10. ISSUED CAPITAL (continued)

(c) Terms and Conditions of Issued Capital

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to vote, either in person or by proxy, at a meeting of the Group's shareholders.

Options

Option holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Group's shareholders. Options may be exercised at any time from the date they vest to the date of their expiration. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

(d) Shares Issued after Reporting Date

No shares have been issued after the reporting date.

11. RESERVES

| | Notes | Years Ended June 30, | | |
|--|-------|----------------------|------------------|----------------|
| | | 2022 | 2021 | 2020 |
| (a) Share Based Payments | | | | |
| 184,692,720 (2021: 160,542,720, 2020: 21,550,000) options for fully paid ordinary shares | 11(c) | 3,565,918 | 2,750,884 | 866,121 |
| | | <u>3,565,918</u> | <u>2,750,884</u> | <u>866,121</u> |

The share-based payment reserve is used to recognize the fair value of options issued to directors, executives, employees and consultants but not exercised. Amounts are transferred out of the reserve and into issued capital when the options are exercised. When options expire, the amount is transferred from reserve to accumulated losses.

| | Notes | Years Ended June 30, | | |
|---|-------|----------------------|----------|----------|
| | | 2022 | 2021 | 2020 |
| (b) Warrants/Free-attaching options | | | | |
| 674,694,939 free-attaching options (2021: 674,694,939 free-attaching options, 2020: Nil) for fully paid ordinary shares (1) | 11(c) | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>-</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

11. RESERVES (continued)

(b) Warrants/Free-attaching options (continued)

1. On April 9, 2019, the Group issued a total of 586,672,964 two for one free-attaching warrants each with an exercise price of A\$0.045 (4.5 cents). These warrants were issued as part of the strategic investment made by Life Biosciences LLC, and an accompanying placement with sophisticated investors. On December 19, 2019, the warrants expired without exercise. On November 24, 2020 as part of a two tranche placement to sophisticated and professional investors the Group issued a total of 674,694,939 free attaching warrants with an exercise price of A\$0.07, expiring on November 23, 2023.

(c) Movements in Options for Fully Paid Ordinary Shares

| | Years Ended June 30, | | | | | |
|--------------------------------|------------------------------|------------------|------------------------------|------------------|------------------------------|----------------|
| | 2022 | | 2021 | | 2020 | |
| | Number of Options | (A\$) | Number of Options | (A\$) | Number of Options | (A\$) |
| Beginning of the year | 160,542,720 | 2,750,884 | 21,550,000 | 866,121 | 25,300,000 | 1,158,975 |
| Options issued during the year | 45,150,000 | - | 140,392,720 | - | - | - |
| Expired during the year | (7,000,000) | (240,310) | - | - | (3,400,000) | (280,838) |
| Forfeited during the year | (14,000,000) | (450,777) | (1,400,000) | (65,800) | (350,000) | (12,016) |
| Share Based Payment expense | - | 1,506,121 | - | 1,950,563 | - | - |
| End of the year | <u>184,692,720</u> | <u>3,565,918</u> | <u>160,542,720</u> | <u>2,750,884</u> | <u>21,550,000</u> | <u>866,121</u> |

Details of option grants are summarized as follows.

Year ended June 30, 2020:

- On September 30, 2019, 150,000 options were forfeited upon resignation of an employee.
- On January 30, 2020, 200,000 options were forfeited upon resignation of an employee.
- On February 18, 2020, 2,000,000 options expired.
- On May 25, 2020, 1,400,000 options expired.
- On December 19, 2019 586,672,964 short term warrants expired.

Year ended June 30, 2021:

- On September 18, 2020, 49,000,000 options were issued to the Directors under the 2004 ASX Plan and 2018 ADS Plan. The options are exercisable at A\$0.09 and expire on September 17, 2025. The fair value of the options is A\$0.032 per option.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

11. RESERVES (continued)

(c) Movements in Options for Fully Paid Ordinary Shares (continued)

- On March 31, 2021, 1,400,000 options were forfeited upon resignation of an employee.
- On April 20, 2021, 91,392,720 options were issued to the Group's newly appointed Chief Executive Office under the 2018 ADS Plan. The options are exercisable at A\$0.032 and expire on January 6, 2026. The fair value of the options is A\$0.028 per option.

Year ended June 30, 2022:

- On December 8, 2021, 13,900,000 options were issued to the Group's employees and consultants based in the United States under the 2018 ADS Plan. The options are exercisable at A\$0.0238 and expire on November 29, 2026. The fair value of the options is A\$0.021 per option.
- On December 8, 2021, 19,250,000 options were issued to the Group's employees and consultants based in Australia under the 2004 ASX Plan. The options are exercisable at A\$0.0375 and expire on November 29, 2026. The fair value of the options is A\$0.021 per option.
- On December 8, 2021, 12,000,000 options were issued to a consultant under the 2004 ASX Plan. The options are exercisable at A\$0.07 and expire on July 31, 2024. The fair value of the options is A\$0.027 per option.
- On January 4, 2022, 14,000,000 options were forfeited upon resignation of two Non-Executive Directors.
- On June 6, 2022, 7,000,000 options expired.

(d) Terms and Conditions of Reserves

Options and warrants

Option holders and warrant holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Group's shareholders. Options and warrants may be exercised at any time from the date they vest to the date of their expiration. Share options are exercisable into ordinary shares on a one for one basis on the date they are exercised. Options granted under the 2018 ADS Plan are exercisable into ADRs, being one option for one ADR, which equals sixty ordinary shares, on the date they are exercised.

Expired options are reclassified into accumulated losses. Options forfeited due to failure of a vesting condition result in a reversal of the accumulated expense through the statement of profit or loss and other comprehensive loss.

In Australia, there is not a set number of authorized shares, shares are not reserved for the exercise of options, and shares do not have a par value.

(e) Options and Warrants Issued after Reporting Date

No options were issued after reporting date.

12. ACCUMULATED DEFICIT DURING DEVELOPMENT STAGE

| | Years Ended June 30, | | |
|--|-----------------------------|--------------------|--------------------|
| | 2022 | 2021 | 2020 |
| Balance at beginning of year | 169,728,414 | 154,419,061 | 141,236,838 |
| Impact of initial adoption of IFRS 16 | - | - | 6,261 |
| Net loss for the year | 12,847,061 | 15,309,353 | 13,456,800 |
| Reclassify expired options from reserves | (240,310) | - | (280,838) |
| Reclassify forfeited options from reserves | (450,777) | - | - |
| Balance at end of year | <u>181,884,388</u> | <u>169,728,414</u> | <u>154,419,061</u> |

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

13. LEASES

(i) *Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

| | Years Ended June 30, | | |
|----------------------------|----------------------|---------------|---------------|
| | 2022 | 2021 | 2020 |
| Right-of-use assets | | | |
| Right-of-use assets | 115,971 | 65,495 | 31,866 |
| Lease liabilities | | | |
| Current | 57,632 | 27,746 | 32,879 |
| Non-current | 59,857 | 37,903 | 868 |
| | <u>117,489</u> | <u>65,649</u> | <u>33,747</u> |

Additions to the right-of-use assets during the current financial year were \$86,353 (2021: \$90,336, 2020: \$29,827).

(ii) *Amounts recognised in the statement of profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

| | Years Ended June 30, | | |
|--|----------------------|--------|--------|
| | 2022 | 2021 | 2020 |
| Depreciation of right-of-use assets | 36,366 | 56,707 | 86,439 |
| Interest expense | 2,285 | 1,299 | 3,877 |
| Expenses relating to short-term leases (included in general and administration expenses) | 79,309 | 87,131 | 46,913 |
| Expenses relating to variable lease payments not included in lease liabilities (included in general and administration expenses) | - | - | 25,844 |

The total cash outflow for leases in 2022 was \$116,107 (2021: \$146,719, 2020: \$165,875).

(iii) *The Group's leasing activities and how these are accounted for*

The Group has adopted IFRS 16 Leases during the year ended June 30, 2020 using the modified retrospective approach. The modified approach does not require restatement of comparative periods. Instead the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of the current financial year in which it was first applied, known as the 'date of initial application'. Refer to note 1(v) for further details.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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13. LEASES (continued)

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate applied at the commencement date.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

14. CASH FLOW INFORMATION

| | Years Ended June 30, | | |
|--|-----------------------------|---------------------|--------------------|
| | 2022 | 2021 | 2020 |
| (a) Reconciliation of Net Loss to Net Cash Flows Used In Operations | | | |
| Net loss | (12,847,061) | (15,309,353) | (13,456,800) |
| Non-cash items | | | |
| Depreciation of property and equipment | 17,848 | 18,662 | 25,988 |
| Depreciation on leased assets | 36,366 | 56,707 | 86,439 |
| Others | 61 | (145) | - |
| Share-based payment expenses | 1,506,122 | 1,884,763 | (12,016) |
| Foreign exchange (gain)/loss | (2,813,635) | 426,782 | (262,977) |
| | - | - | - |
| Changes in assets and liabilities | | | |
| (Increase)/Decrease in trade and other receivables | (447,684) | (4,216,356) | 4,768,176 |
| (Increase)/Decrease in other current assets | (516,176) | (517,617) | 53,633 |
| Increase/(Decrease) in trade and other payables | 2,604,001 | 432,905 | (648,570) |
| (Decrease) in other current liabilities | - | - | (1,577) |
| Increase/(Decrease) in provision for employee entitlements | 122,884 | (106,417) | 16,582 |
| Net cash flows used in operating activities | <u>(12,337,274)</u> | <u>(17,330,069)</u> | <u>(9,431,122)</u> |
| (b) Reconciliation of Cash and Cash Equivalents | | | |
| Cash and cash equivalents balance comprises: | | | |
| - cash and cash equivalents on hand | <u>34,806,799</u> | <u>28,115,516</u> | <u>9,196,892</u> |
| Closing cash and cash equivalents balance | <u>34,806,799</u> | <u>28,115,516</u> | <u>9,196,892</u> |

(c) Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities during the years ended June 30, 2022, 2021 and 2020.

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15. EXPENDITURE COMMITMENTS

The Group has short term leases contracted for but not capitalized in the financial statements. The Group has commitments under these contracts within one year of A\$9,857. As of June 30, 2022, the lease commitments mainly relate to the short term lease for the Bourke Street office lease expiring on September 30, 2022.

The majority of our contracts for research and development programs have a termination notice period of 30 days. As of June 30, 2022, we had research and development termination commitments approximating A\$5.2 million. No liability has been recognised within our financial statements for this period. In addition, we have the ability to scale down our operations and prioritise our research and development programs to reduce expenditures.

Details in relation to commitments under employee service agreements with Directors and Key Management Personnel are outlined in Note 21.

16. SHARE BASED PAYMENTS

At the Annual General Meeting held on November 17, 2004, the shareholders approved the establishment of employee and consultant plans designed to reward directors, employees and consultants for their contributions to the Group. The plans are to be used as a method of retaining key personnel for the growth and development of the Group. Due to Alterity's U.S. presence, a U.S. plan (the 2018 ADS Plan) and an Australian plan (the 2004 ASX Plan) were developed.

As of June 30, 2022, equity had been issued to 4 Directors, 2 former Directors, 2 Key Management Personnel, 10 employees and 4 consultants under the 2004 ASX Plan and 2018 ADS Plan.

As of June 30, 2021, equity had been issued to 6 Directors, 2 former Directors, 2 Key Management Personnel, 8 employees and 5 consultants under the 2004 ASX Plan and 2018 ADS Plan.

As of June 30, 2020, equity had been issued to 4 Directors, 2 former Directors, 2 Key Management Personnel, 9 employees and 5 consultants under the 2004 ASX Plan.

At the 2004 Annual General Meeting, shareholders authorized the Group to issue in the aggregate up to 12 million ordinary shares under the two plans. This was increased to 22 million ordinary shares at the 2005 Annual General Meeting and further increased to 30 million ordinary shares at the 2007 Annual General Meeting, 45 million ordinary shares at the 2008 Annual General Meeting and 60 million ordinary shares at the 2009 Annual General Meeting. At the September 2020 General Meeting, shareholders authorized the Group to issue up to 157.5 million securities. At the 2020 Annual General Meeting, shareholders authorized the Group to issue up to 200 million ordinary shares.

The Share Plan Committee, a sub-committee of the Remuneration Committee administers the two plans and is able to change the terms of the equity issued under them from the default terms.

Under the 2018 ADS Plan, the exercise price must equal or exceed the fair value of the ADS on the date the options are awarded. The option expiration date cannot exceed ten years from the date the options were awarded. The default vesting conditions are 25% per year on the date the options were awarded.

Under the 2004 ASX Plan, the exercise price must be equal or be less than the market value of the ordinary shares on ASX on the date of grant. The option expiration date cannot exceed ten years from the date the options were granted. The default vesting conditions are 25% per year on the date the options were granted.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

16. SHARE BASED PAYMENTS (continued)

Information with respect to the number of options granted under the 2004 ASX Plan and 2018 ADS Plan as follows:

| | Years Ended June 30, | | | | | |
|------------------------------------|----------------------|--|----------------------|--|----------------------|--|
| | 2022 | | 2021 | | 2020 | |
| | Number of Options | Weighted Average Exercise Price (A\$) | Number of Options | Weighted Average Exercise Price (A\$) | Number of Options | Weighted Average Exercise Price (A\$) |
| Beginning of the year | 160,542,720 | 0.09 | 21,550,000 | 0.10 | 25,300,000 | 0.12 |
| Issued during the year | 45,150,000 | 0.04 | 140,392,720 | 0.05 | - | - |
| Exercised during the year | - | - | - | - | - | - |
| Expired during the year | (7,000,000) | 0.07 | - | - | (3,400,000) | 0.25 |
| Forfeited during the year | (14,000,000) | 0.09 | (1,400,000) | 0.11 | (350,000) | 0.07 |
| Outstanding at year end | 184,692,720 | 0.05 | 160,542,720 | 0.06 | 21,550,000 | 0.10 |
| Vested and Exercisable at year end | 60,150,000 | 0.09 | 69,150,000 | 0.09 | 21,550,000 | 0.10 |

Options outstanding at the end of the year have the following expiry date and exercise prices:

| Series | Grant Date | Expiry Date | Exercise Price | Share options | |
|--------|--------------------|--------------------|----------------|---------------|-------------|
| | | | \$A | 2022 | 2021 |
| PBTAS | June 7, 2017 | June 6, 2022 | 0.07 | - | 7,000,000 |
| PBTAAA | December 18, 2017 | December 14, 2022 | 0.11 | 12,450,000 | 12,450,000 |
| PBTAI | February 1, 2018 | January 31, 2023 | 0.08 | 700,000 | 700,000 |
| ATHAAB | September 18, 2020 | September 17, 2025 | 0.09 | 35,000,000 | 49,000,000 |
| ATHAAD | January 7, 2021 | January 6, 2026 | 0.03 | 91,392,720 | 91,392,720 |
| ATHAAE | November 29, 2021 | November 29, 2026 | 0.04 | 19,250,000 | - |
| ATHAAF | July 31, 2021 | July 31, 2024 | 0.07 | 12,000,000 | - |
| ATHAAG | November 29, 2021 | November 29, 2026 | 0.02 | 13,900,000 | - |
| | | | Total | 184,692,720 | 160,542,720 |

Weighted average remaining contractual life of options outstanding at end of period. 3.32 years 4.02 years

Risk free interest rate – This is the government bond rate (having a term that most closely resembles the expected life of the option) in effect at the grant date. The Australian government bond rate has been used for options which are exercisable for fully paid ordinary shares and the U.S. government bond rate has been used for options which are exercisable for ADRs.

Dividend yield – Alterity has never declared or paid dividends on its ordinary shares and does not anticipate paying any dividends in the foreseeable future.

Expected volatility – Alterity estimates expected volatility based on historical volatility over the estimated life of the option and other factors. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Expected life – This is the period of time that the options granted are expected to remain outstanding. This estimate is based primarily on historical trend of option holders to exercise their option near the date of expiry. As a result, the expected life is considered to equal the period from grant date to expiry date.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

16. SHARE BASED PAYMENTS (continued)

Model inputs –

The model inputs for the valuations of options approved and issued during the current and previous financial years are as follows:

| Series | Grant Date | Exercise Price | Share Price | Expected | Years to | Dividend | Risk-free | Fair Value |
|--------|--------------------|----------------|-------------|------------|----------|----------|---------------|-------------|
| | | per Share | at Grant | Share | | | | |
| | | A\$ | Date | Price | Expiry | Yield | Interest Rate | per Options |
| | | | A\$ | Volatility | | | | A\$ |
| PBTAH | February 19, 2015 | 0.26 | 0.16 | 74.80% | 5.00 | 0% | 2.00% | 0.083 |
| PBTAR | May 27, 2015 | 0.27 | 0.17 | 69.40% | 5.00 | 0% | 2.25% | 0.082 |
| PBTAS | June 7, 2017 | 0.07 | 0.05 | 100.00% | 5.00 | 0% | 1.97% | 0.034 |
| PBTAAA | December 18, 2017 | 0.11 | 0.07 | 100.00% | 5.00 | 0% | 2.38% | 0.047 |
| PBTAI | February 1, 2018 | 0.08 | 0.06 | 100.00% | 5.00 | 0% | 2.24% | 0.038 |
| ATHAAB | September 18, 2020 | 0.09 | 0.05 | 98.00% | 5.00 | 0% | 0.43% | 0.032 |
| ATHAAD | January 7, 2021 | 0.03 | 0.032 | 139.52% | 5.00 | 0% | 0.38% | 0.028 |
| ATHAAE | November 29, 2021 | 0.04 | 0.025 | 138.47% | 5.00 | 0% | 1.35% | 0.021 |
| ATHAAF | July 31, 2021 | 0.07 | 0.034 | 169.42% | 3.00 | 0% | 0.13% | 0.027 |
| ATHAAG | November 29, 2021 | 0.02 | 0.024 | 138.47% | 5.00 | 0% | 1.35% | 0.021 |

Information with respect to the number of shares issued under the stock option plan as follows:

| | Years Ended June 30, | | |
|---------------------------|----------------------|------------|------------|
| | 2022 | 2021 | 2020 |
| | Number of | Number of | Number of |
| | Shares | Shares | Shares |
| Beginning of the year | 13,277,715 | 13,277,715 | 13,277,715 |
| Issued during the year | - | - | - |
| End of the financial year | 13,277,715 | 13,277,715 | 13,277,715 |

No shares were granted during the year ended June 30, 2022, 2021 and 2020.

17. SUBSEQUENT EVENTS

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

18. LOSS PER SHARE

| | Years Ended June 30, | | |
|---|----------------------|---------------|-------------|
| | 2022 | 2021 | 2020 |
| Basic and diluted loss per share (cents per share) | (0.53) | (0.90) | (1.50) |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share | 2,405,990,036 | 1,696,576,324 | 894,872,224 |

The options and warrants in place do not have the effect of diluting the loss per share. Therefore, they have been excluded from the calculation of diluted loss per share. Please refer to Note 11 and Note 16 for options and warrants on issue which were assessed to be antidilutive.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

| | Years Ended June 30, | | |
|------------------------------|----------------------|------------------|------------------|
| | 2022 | 2021 | 2020 |
| Short-term employee benefits | 1,641,015 | 1,891,777 | 1,549,861 |
| Post-employment benefits | 44,121 | 45,180 | 48,947 |
| Long-term benefits | 6,711 | (110,285) | 20,528 |
| Termination benefits | - | 1,000,000 | - |
| Share-based payments | 998,164 | 1,950,565 | - |
| | <u>2,690,011</u> | <u>4,777,237</u> | <u>1,619,336</u> |

20. AUDITORS' REMUNERATION

| | Years Ended June 30, | | |
|--|----------------------|----------------|----------------|
| | 2022 | 2021 | 2020 |
| - Audit and review of financial statements (1) | 216,400 | 202,400 | 194,900 |
| - Other audit services (2) | - | 130,000 | 60,000 |
| | <u>216,400</u> | <u>332,400</u> | <u>254,900</u> |

- Audit and review of financial statements consist of fees billed for assurance and related services that generally only the statutory auditor could reasonably provide to a client.
- Included in the balance are amounts related to additional regulatory filings during the 2021 and 2020 financial years. All services provided are considered audit services for the purpose of SEC classification.

PricewaterhouseCoopers was appointed as the Group's principal independent registered public accounting firm on November 30, 2006. Australian law does not require the Group's Auditors to be appointed at the Group's annual general meeting of shareholders. There is an annual engagement letter which is signed, subject to the Group's audit committee approval, with PricewaterhouseCoopers for audit and review work. No non-audit services were provided by PricewaterhouseCoopers during the 2022, 2021 and 2020 financial years.

21. RELATED PARTY TRANSACTIONS

a. Equity Interests in Subsidiaries

Alterity Therapeutics Limited owns 100% of its subsidiaries, Alterity Therapeutics Inc. and Alterity Therapeutics UK Ltd.

b. Key Management Personnel Remuneration

The Directors of Alterity during the year:

Mr. Geoffrey Kempler, Chairman
Mr. Brian Meltzer, Independent Non-Executive Director
Mr. Peter Marks, Independent Non-Executive Director
Mr. Lawrence Gozlan, Non-Executive Director
Dr. David Sinclair, Non-Executive Director (resigned on January 4, 2022)
Mr. Tristan Edwards, Non-Executive Director (resigned on January 4, 2022)

The Key Management Personnel of the Group during the year:

| | |
|---------------------|-------------------------|
| Dr. David Stamler | Chief Executive Officer |
| Ms. Kathryn Andrews | Chief Financial Officer |

Remuneration of all key management personnel of the Group is determined by the Board of Directors following recommendation by the Remuneration Committee.

The Group is committed to remunerating senior executives in a manner that is market competitive and consistent with 'best practice' including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the executive's position, experience and performance, and may be satisfied via cash or equity.

Non-executive Directors are remunerated out of the aggregate amount approved by shareholders and at a level that is consistent with industry standards. Non-executive Directors do not receive performance based bonuses and prior shareholder approval is required to participate in any issuance of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

The Group's remuneration policy is not solely based on the Group's performance, but also on industry practice.

The Group's primary focus is research activities with a long term objective of developing and commercializing its research and development results.

The Group envisages its performance in terms of earnings will remain negative whilst the Group continues in the research and clinical trials. Shareholder wealth reflects this speculative and volatile market sector. This pattern is indicative of the Group's performance over the past four years.

The purpose of a performance bonus is to reward individual performance in line with Group objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Group. This is regularly measured in respect of performance against key performance indicators ("KPI's").

The Group uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

21. RELATED PARTY TRANSACTIONS (continued)

b. Key Management Personnel Remuneration (continued)

| 2022 | Short Term Benefits | | Post-Employment Superannuation Contribution | Long Term Benefits Long-service Leave | Termination Benefit | Equity Options | Total |
|--------------------------------|---------------------|----------|---|---------------------------------------|---------------------|----------------|------------------|
| | Base Fee | Bonus | | | | | |
| | A\$ | A\$ | | | | | |
| Directors' remuneration | | | | | | | |
| Mr. Geoffrey Kempler (2) | 377,800 | - | 10,000 | - | - | - | 387,800 |
| Mr. Brian Meltzer | 63,636 | - | 6,359 | - | - | - | 69,995 |
| Mr. Peter Marks | 70,000 | - | - | - | - | - | 70,000 |
| Mr. Lawrence Gozlan (3) | 107,500 | - | - | - | - | - | 107,500 |
| Dr. David Sinclair (4) | 34,888 | - | - | - | - | - | 34,888 |
| Mr. Tristan Edwards (4) | 31,819 | - | 4,194 | - | - | - | 36,013 |
| | <u>685,643</u> | <u>-</u> | <u>23,553</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>706,196</u> |
| Other key management personnel | | | | | | | |
| Dr. David Stamler (1) | 658,393 | - | - | - | - | 965,633 | 1,624,026 |
| Ms. Kathryn Andrews (1) | 296,979 | - | 23,568 | 6,711 | - | 32,531 | 359,789 |
| | <u>955,372</u> | <u>-</u> | <u>23,568</u> | <u>6,711</u> | <u>-</u> | <u>998,164</u> | <u>1,983,815</u> |
| Total | <u>1,641,015</u> | <u>-</u> | <u>44,121</u> | <u>6,711</u> | <u>-</u> | <u>998,164</u> | <u>2,690,011</u> |

- (1) Base Fee includes movements in the annual leave provision for Ms. Kathryn Andrews and Dr. David Stamler in accordance with their employment contracts.
- (2) Includes A\$277,800 in corporate advisory fees paid to an associated entity of Mr. Geoffrey Kempler for business advisory services including investor relations, marketing and business development.
- (3) Includes A\$37,500 in corporate advisory fees paid to an associated entity of Mr. Lawrence Gozlan for corporate advisory services including seeking and advancing opportunities to expand the Group's product pipeline and other sources of funding to commence and continue the Group's clinical trials.
- (4) David Sinclair and Tristan Edwards resigned on January 4, 2022.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

21. RELATED PARTY TRANSACTIONS (continued)

b. Key Management Personnel Remuneration (continued)

| 2021 | Short Term Benefits | | Post-Employment Superannuation Contribution | Long Term Benefits Long-service Leave | Termination Benefit | Equity Options | Total |
|---------------------------------------|---------------------|----------|---|---------------------------------------|---------------------|------------------|------------------|
| | Base Fee | Bonus | | | | | |
| | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Directors' remuneration | | | | | | | |
| Mr. Geoffrey Kempler (2) | 487,292 | - | 16,184 | (121,542) | 1,000,000 | 450,777 | 1,832,711 |
| Mr. Brian Meltzer | 66,209 | - | 6,290 | - | - | 225,389 | 297,888 |
| Mr. Peter Marks | 68,333 | - | - | - | - | 225,389 | 293,722 |
| Mr. Lawrence Gozlan (3) | 218,333 | - | - | - | - | 225,389 | 443,722 |
| Dr. David Sinclair | 65,800 | - | - | - | - | 225,389 | 291,189 |
| Mr. Tristan Edwards | 64,774 | - | 1,012 | - | - | 225,389 | 291,175 |
| | <u>970,741</u> | <u>-</u> | <u>23,486</u> | <u>(121,542)</u> | <u>1,000,000</u> | <u>1,577,722</u> | <u>3,450,407</u> |
| Other key management personnel | | | | | | | |
| Dr. David Stamler (1)(4) | 606,058 | - | - | - | - | 372,843 | 978,901 |
| Ms. Kathryn Andrews (1) | 314,978 | - | 21,694 | 11,257 | - | - | 347,929 |
| | <u>921,036</u> | <u>-</u> | <u>21,694</u> | <u>11,257</u> | <u>-</u> | <u>372,843</u> | <u>1,326,830</u> |
| Total | <u>1,891,777</u> | <u>-</u> | <u>45,180</u> | <u>(110,285)</u> | <u>1,000,000</u> | <u>1,950,565</u> | <u>4,777,237</u> |

- (1) Base Fee includes movements in the annual leave provision for Ms. Kathryn Andrews and Dr. David Stamler in accordance with their employment contracts.
- (2) Upon termination of employment as Chief Executive Officer on January 7, 2021 Mr. Kempler received the sum of A\$1 million in accordance with his employment agreement dated September 21, 2007 and accrued leave entitlements. Remuneration also includes A\$101,400 in corporate advisory fees paid to an associated entity of Mr. Geoffrey Kempler for business advisory services including investor relations, marketing and business development.
- (3) Includes A\$150,000 in corporate advisory fees paid to an associated entity of Mr. Lawrence Gozlan for corporate advisory services including seeking and advancing opportunities to expand the Group's product pipeline and other sources of funding to commence and continue the Group's clinical trials.
- (4) Remuneration of Dr. David Stamler covered his previous role as Chief Medical Officer and Senior Vice President Clinical Development from July 1, 2020 to January 6, 2021 and CEO effective January 7, 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

21. RELATED PARTY TRANSACTIONS (continued)

b. Key Management Personnel Remuneration (continued)

| 2020 | Short Term Benefits | | Post- Employment Superannuation Contribution A\$ | Long Term Benefits Long-service Leave A\$ | Equity Options A\$ | Total A\$ |
|--------------------------------|---------------------|--------------|--|---|--------------------------|------------------|
| | Base Fee A\$ | Bonus A\$ | | | | |
| Directors' remuneration | | | | | | |
| Mr. Geoffrey Kempler (1) | 412,544 | - | 21,003 | 12,462 | - | 446,009 |
| Mr. Brian Meltzer | 73,059 | - | 6,941 | - | - | 80,000 |
| Mr. Peter Marks | 60,000 | - | - | - | - | 60,000 |
| Mr. Lawrence Gozlan | 60,000 | - | - | - | - | 60,000 |
| Dr. David Sinclair | 45,000 | - | - | - | - | 45,000 |
| Mr. Tristan Edwards | 45,000 | - | - | - | - | 45,000 |
| | <u>695,603</u> | <u>-</u> | <u>27,944</u> | <u>12,462</u> | <u>-</u> | <u>736,009</u> |
| Other key management personnel | | | | | | |
| Ms. Kathryn Andrews (1) | 228,788 | - | 21,003 | 8,066 | - | 257,857 |
| Dr. David Stamler (1) | 625,470 | - | - | - | - | 625,470 |
| | <u>854,258</u> | <u>-</u> | <u>21,003</u> | <u>8,066</u> | <u>-</u> | <u>883,327</u> |
| Total | <u>1,549,861</u> | <u>-</u> | <u>48,947</u> | <u>20,528</u> | <u>-</u> | <u>1,619,336</u> |

(1) Base Fee includes movements in the annual leave provision for Mr. Geoffrey Kempler, Ms. Kathryn Andrews and Dr. David Stamler in accordance with their employment contracts.

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21. RELATED PARTY TRANSACTIONS (continued)

b. Key Management Personnel Remuneration (continued)

The following Senior Executives were under contract during the year ended June 30, 2022:

| Key management personnel | Duration | Notice Requirements | Termination |
|--------------------------|--|--|--|
| Kathryn Andrews | Until termination by either party. Signed November 11, 2014 | Ms Andrews may terminate with 30 days' notice, or Without Cause the Group may terminate with 30 days' notice, or With Cause the Group may terminate without notice | Accrued entitlements including all unreimbursed business expenses. Permitted to keep and/or exercise options that have vested at the time of termination. |
| David Stamler | Until termination by either party. Signed January 6, 2021. | Each party will be required to provide 6 months' notice of termination unless otherwise agreed to in writing. For good reason, Dr Stamler may terminate at any time upon written notice. With Cause, the Group may terminate at any time upon written notice | Accrued entitlements including all unreimbursed business expenses. Vested but unexercised options shall be exercisable within 30 days after the date of termination Unvested options will terminate automatically without further notice. Payment equivalent to one hundred percent of current annualized salary. Accrued entitlements including all unreimbursed business expenses. Vested but unexercised options shall be exercisable within 30 days after the date of termination. Unvested options will terminate automatically without further notice. Payment limited to accrued salary, accrued but unused vacation pay and approved but unreimbursed expenses that are owed to date of termination All options shall be canceled upon date of termination |

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21. RELATED PARTY TRANSACTIONS (continued)

c. Key Management Personnel Equity Holdings

| Fully Paid Ordinary Shares of the Group | Balance July 1, 2021 No. | Received as Remuneration No. | Received on Exercise of Options No. | Net Change Other No. | Balance June 30, 2022 No. |
|--|---|---|--|-------------------------------------|--|
| Mr. Geoffrey Kempler | 18,011,000 | - | - | - | 18,011,000 |
| Mr. Lawrence Gozlan | - | - | - | - | - |
| Mr. Brian Meltzer | 326,666 | - | - | - | 326,666 |
| Mr. Peter Marks | 43,111 | - | - | - | 43,111 |
| Dr. David Sinclair (1) | - | - | - | - | - |
| Mr. Tristan Edwards (1) | - | - | - | - | - |
| Ms. Kathryn Andrews | - | - | - | - | - |
| Dr. David Stamler | - | - | - | - | - |
| | <u>18,380,777</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,380,777</u> |

(1) David Sinclair and Tristan Edwards resigned on January 4, 2022.

| Fully Paid Ordinary Shares of the Group | Balance July 1, 2020 No. | Received as Remuneration No. | Received on Exercise of Options No. | Net Change Other No. | Balance June 30, 2021 No. |
|--|---|---|--|-------------------------------------|--|
| Mr. Geoffrey Kempler | 18,011,000 | - | - | - | 18,011,000 |
| Mr. Lawrence Gozlan | - | - | - | - | - |
| Mr. Brian Meltzer | 326,666 | - | - | - | 326,666 |
| Mr. Peter Marks | 43,111 | - | - | - | 43,111 |
| Dr. David Sinclair | - | - | - | - | - |
| Mr. Tristan Edwards | - | - | - | - | - |
| Ms. Kathryn Andrews | - | - | - | - | - |
| Dr. David Stamler | - | - | - | - | - |
| | <u>18,380,777</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,380,777</u> |

| Fully Paid Ordinary Shares of the Group | Balance July 1, 2019 No. | Received as Remuneration No. | Received on Exercise of Options No. | Net Change Other No. | Balance June 30, 2020 No. |
|--|---|---|--|-------------------------------------|--|
| Mr. Geoffrey Kempler | 18,011,000 | - | - | - | 18,011,000 |
| Mr. Lawrence Gozlan | - | - | - | - | - |
| Mr. Brian Meltzer | 326,666 | - | - | - | 326,666 |
| Mr. Peter Marks | 43,111 | - | - | - | 43,111 |
| Dr. David Sinclair | - | - | - | - | - |
| Mr. Tristan Edwards | - | - | - | - | - |
| Ms. Kathryn Andrews | - | - | - | - | - |
| Dr. David Stamler | - | - | - | - | - |
| | <u>18,380,777</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,380,777</u> |

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21. RELATED PARTY TRANSACTIONS (continued)

c. Key Management Personnel Equity Holdings (continued)

| Share Options of the Group | Balance July 1, 2021 No. | Granted as Remuneration No. | Options Exercised No. | Options Expired No. | Options Forfeited No. | Net Change Other | Options Vested During the year | Balance June 30, 2022 No. | Total Vested and Exercisable June 30, 2022 No. | Total Unvested June 30, 2022 No. |
|----------------------------|--------------------------|-----------------------------|-----------------------|---------------------|-----------------------|------------------|--------------------------------|---------------------------|--|----------------------------------|
| Mr. Geoffrey Kempler | 19,000,000 | - | - | - | - | - | - | 19,000,000 | 19,000,000 | - |
| Mr. Lawrence Gozlan | 8,250,000 | - | - | - | - | - | - | 8,250,000 | 8,250,000 | - |
| Mr. Brian Meltzer | 8,250,000 | - | - | - | - | - | - | 8,250,000 | 8,250,000 | - |
| Mr. Peter Marks | 8,250,000 | - | - | - | - | - | - | 8,250,000 | 8,250,000 | - |
| Dr. David Sinclair (1) | 7,000,000 | - | - | - | (7,000,000) | - | - | - | - | - |
| Mr. Tristan Edwards (1) | 7,000,000 | - | - | - | (7,000,000) | - | - | - | - | - |
| Ms. Kathryn Andrews | 500,000 | 5,000,000 | - | (500,000) | - | - | - | 5,000,000 | - | 5,000,000 |
| Dr. David Stamler | 95,392,720 | - | - | (4,000,000) | - | - | - | 91,392,720 | - | 91,392,720 |
| | <u>153,642,720</u> | <u>5,000,000</u> | | <u>(4,500,000)</u> | <u>(14,000,000)</u> | | | <u>140,142,720</u> | <u>43,750,000</u> | <u>96,392,720</u> |

(1) David Sinclair and Tristan Edwards resigned on January 4, 2022.

| Share Options of the Group | Balance July 1, 2020 No. | Granted as Remuneration No. | Options Exercised No. | Options Expired No. | Options Forfeited No. | Net Change Other | Options Vested During the year | Balance June 30, 2021 No. | Total Vested and Exercisable June 30, 2021 No. | Total Unvested June 30, 2021 No. |
|----------------------------|--------------------------|-----------------------------|-----------------------|---------------------|-----------------------|------------------|--------------------------------|---------------------------|--|----------------------------------|
| Mr. Geoffrey Kempler | 5,000,000 | 14,000,000 | - | - | - | - | 14,000,000 | 19,000,000 | 19,000,000 | - |
| Mr. Lawrence Gozlan | 1,250,000 | 7,000,000 | - | - | - | - | 7,000,000 | 8,250,000 | 8,250,000 | - |
| Mr. Brian Meltzer | 1,250,000 | 7,000,000 | - | - | - | - | 7,000,000 | 8,250,000 | 8,250,000 | - |
| Mr. Peter Marks | 1,250,000 | 7,000,000 | - | - | - | - | 7,000,000 | 8,250,000 | 8,250,000 | - |
| Dr. David Sinclair | - | 7,000,000 | - | - | - | - | 7,000,000 | 7,000,000 | 7,000,000 | - |
| Mr. Tristan Edwards | - | 7,000,000 | - | - | - | - | 7,000,000 | 7,000,000 | 7,000,000 | - |
| Ms. Kathryn Andrews | 500,000 | - | - | - | - | - | - | 500,000 | 500,000 | - |
| Dr. David Stamler | 4,000,000 | 91,392,720 | - | - | - | - | - | 95,392,720 | 4,000,000 | 91,392,720 |
| | <u>13,250,000</u> | <u>140,392,720</u> | | | | | <u>49,000,000</u> | <u>153,642,720</u> | <u>62,250,000</u> | <u>91,392,720</u> |

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21. RELATED PARTY TRANSACTIONS (continued)

c. Key Management Personnel Equity Holdings (continued)

| Share Options of the Group | Balance July 1, 2019 No. | Granted as Remuneration No. | Options Exercised No. | Options Expired No. | Options Forfeited No. | Net Change Other | Options Vested During the year | Balance June 30, 2020 No. | Total Vested and Exercisable June 30, 2020 No. | Total Unvested June 30, 2020 No. |
|----------------------------|--------------------------|-----------------------------|-----------------------|---------------------|-----------------------|------------------|--------------------------------|---------------------------|--|----------------------------------|
| Mr. Geoffrey Kempler | 5,000,000 | - | - | - | - | - | - | 5,000,000 | 5,000,000 | - |
| Mr. Brian Meltzer | 1,250,000 | - | - | - | - | - | - | 1,250,000 | 1,250,000 | - |
| Mr. Peter Marks | 1,250,000 | - | - | - | - | - | - | 1,250,000 | 1,250,000 | - |
| Mr. Lawrence Gozlan | 1,250,000 | - | - | - | - | - | - | 1,250,000 | 1,250,000 | - |
| Dr. David Sinclair | - | - | - | - | - | - | - | - | - | - |
| Mr. Tristan Edwards | - | - | - | - | - | - | - | - | - | - |
| Ms. Kathryn Andrews | 500,000 | - | - | - | - | - | - | 500,000 | 500,000 | - |
| Dr. David Stamler | 4,000,000 | - | - | - | - | - | - | 4,000,000 | 4,000,000 | - |
| | <u>13,250,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,250,000</u> | <u>13,250,000</u> | <u>-</u> |

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ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

22. SEGMENT INFORMATION

The Group's Chief Executive Officer (Chief Operating Decision Maker) examines internal reports to assess the Group's performance and determine the allocation of resources. The Group's has identified one reportable segment as a whole and cover research into Parkinsonian movement disorders, Alzheimer's disease, Huntington disease, and other neurodegenerative disorders.

23. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out under policies approved by the Board of Directors and overseen by the Audit Committee.

(a) Market Risk

(i) Foreign Currency Risk

The Group engages in international purchase transactions and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Australian dollar. The parent entity also has exposure to foreign exchange risk in the currency cash reserves it holds to meet its foreign currency payments. The Group does not make use of derivative financial instruments to hedge foreign exchange risk.

The following financial assets and liabilities are subject to foreign currency risk, the currency of the original amounts are displayed in brackets, all the amounts in the table below are displayed in A\$ at year-end spot rates:

| | Consolidated Entity | |
|----------------------------------|----------------------------|-------------------|
| | 2022 | 2021 |
| | A\$ | A\$ |
| Cash and cash equivalents (USD) | 29,361,393 | 21,523,678 |
| Cash and cash equivalents (€EUR) | - | - |
| Cash and cash equivalents (£GBP) | 423 | 442 |
| Trade and other payables (USD) | (2,088,037) | (819,812) |
| Trade and other payables (€EUR) | - | (1,901) |
| Trade and other payables (£GBP) | (102,637) | (124,863) |
| Total exposure | 27,171,142 | 20,577,544 |

As shown in the table above, the Group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and there is no impact on other components of equity.

Based on the financial instruments held as of June 30, 2022, had the Australian dollar weakened/strengthened by 8.19% (2021: 9.16%) against the USD with all other variables held constant, the Group's post-tax loss for the year would have been A\$2,233,871 lower/higher (2021: A\$1,896,923 lower/higher).

(ii) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

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ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

23. FINANCIAL INSTRUMENTS (continued)

(a) Market Risk (continued)

The Group's exposure to interest rate risk has not changed since the prior year.

At June 30, 2022, the Group had the following cash accounts:

- A\$4,863,883 in an Australian dollar cash maximiser account at an interest rate of 0.29% as of June 30, 2022;
- A\$106,224 in an Australian dollar transaction account at an interest rate of 0.00% as of June 30, 2022;
- A\$281,415 in an Australian dollar transaction account at an interest rate of 0.00% as of June 30, 2022;
- U.S.\$20,233,747 (A\$29,361,393) in U.S. checking accounts at an interest rate of 0.00% as of June 30, 2022;
- A\$42,713 in a 90 days term deposit at a fixed interest rate of 0.15% which matures on September 2, 2022;
- A\$150,000 in a 90 days term deposit at a fixed interest rate of 0.15% which matures on September 7, 2021;

At June 30, 2021, the Group had the following cash accounts:

- A\$3,231,661 in an Australian dollar transaction account at an interest rate of 0.01% as of June 30, 2021;
- A\$46,862 in an Australian dollar transaction account at an interest rate of 0.00% as of June 30, 2021;
- A\$119,340 in an Australian dollar transaction account at an interest rate of 0.00% as of June 30, 2021;
- U.S.\$16,159,039 (A\$21,523,678) in U.S. checking accounts at an interest rate of 0.00% as of June 30, 2021;
- A\$42,713 in a three month term deposit at a fixed interest rate of 0.10% which matures on September 7, 2021;
- A\$150,000 in a three month term deposit at a fixed interest rate of 0.10% which matures on September 11, 2021;
- A\$3,000,000 in a 90 days term deposit at a fixed interest rate of 0.05% which matures on July 27, 2021.

At June 30, 2020, the Group had the following cash accounts:

- A\$3,448,551 in an Australian dollar transaction account at an interest rate of 0.60% as of June 30, 2020;
- A\$83,932 in an Australian dollar transaction account at an interest rate of 0.05% as of June 30, 2020;
- A\$66,841 in an Australian dollar transaction account at an interest rate of 0.00% as of June 30, 2020;
- U.S.\$3,716,309 (A\$5,403,402) in U.S. checking accounts at an interest rate of 0% as of June 30, 2020;
- A\$42,713 in a three month term deposit at a fixed interest rate of 0.80% which matures on September 7, 2020;
- A\$150,000 in a three month term deposit at a fixed interest rate of 0.80% which matures on September 11, 2019.

The weighted average interest rate is 0.04% for cash and cash equivalents and 0.15% for terms deposits over 90 days and apart from usual variances in general rates of interest the Group is not exposed to any significant interest rate risk.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

23. FINANCIAL INSTRUMENTS (continued)

(a) Market Risk (continued)

Receivables and payables are non-interest bearing.

The Group's exposure to interest rates and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

| June 30, 2022 | Floating Interest Rate (A\$) | Fixed Interest Maturing in (A\$) | | Non-Interest bearing (A\$) | TOTAL (A\$) | Average Interest Rate |
|------------------------------------|---|---|------------------|---|------------------------|----------------------------------|
| | | 1 year or less | 1-5 years | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 4,863,883 | 192,713 | - | 29,750,203 | 34,806,799 | 0.002% |
| Trade and other receivables | - | - | - | 4,725,361 | 4,725,361 | |
| Total Financial Assets | 4,863,883 | 192,713 | - | 34,475,564 | 39,532,160 | 0.002% |
| Financial Liabilities | | | | | | |
| Trade and other payables | - | - | - | (5,106,511) | (5,106,511) | |
| Lease liabilities | - | (57,632) | (59,857) | - | (117,489) | |
| Total Financial Liabilities | - | (57,632) | (59,857) | (5,106,511) | (5,224,000) | |
| June 30, 2021 | | | | | | |
| | Floating Interest Rate (A\$) | Fixed Interest Maturing in (A\$) | | Non-Interest bearing (A\$) | Total (A\$) | Average Interest Rate |
| | | 1 year or less | 1-5 years | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 3,231,661 | 3,192,713 | - | 21,691,142 | 28,115,516 | 0.01% |
| Trade and other receivables | - | - | - | 4,277,677 | 4,277,677 | |
| Total Financial Assets | 3,231,661 | 3,192,713 | - | 25,968,819 | 32,393,193 | 0.01% |
| Financial Liabilities | | | | | | |
| Trade and other payables | - | - | - | (2,502,509) | (2,502,509) | |
| Lease liabilities | - | (27,746) | (37,903) | - | (65,649) | |
| Total Financial Liabilities | - | (27,746) | (37,903) | (2,502,509) | (2,568,158) | |

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has no significant concentration of credit risk and it is not the Group's policy to hedge credit risk.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

23. FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk (continued)

The Group ensures that surplus cash is invested with financial institutions of appropriate credit worthiness and limits the amount of credit exposure to any one counter party.

There has been no significant change in the Group's exposure to credit risk since the previous year. The carrying amount of the Group's financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

Maturities of Financial Liabilities

| 2022 | Less than 6 months | 6-12 months | Greater than 12 months and less than 5 years | Total contracted cash flows | Carrying amounts |
|--------------------------|-------------------------------|------------------------|---|--|-----------------------------|
| Trade and other payables | (5,106,511) | - | - | (5,106,511) | (5,106,511) |
| Lease liabilities | (57,632) | - | (59,857) | (117,489) | (117,489) |
| Total | (5,164,143) | - | (59,857) | (5,224,000) | (5,224,000) |

| 2021 | Less than 6 months | 6-12 months | Greater than 12 months and less than 5 years | Total contracted cash flows | Carrying amounts |
|--------------------------|-------------------------------|------------------------|---|--|-----------------------------|
| Trade and other payables | (2,502,509) | - | - | (2,502,509) | (2,502,509) |
| Lease liabilities | (27,746) | - | (37,903) | (65,649) | (65,649) |
| Total | (2,530,255) | - | (37,903) | (2,568,158) | (2,568,158) |

(d) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses disclosed in Notes 10, 11 and 12. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

ALTERITY THERAPEUTICS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

23. FINANCIAL INSTRUMENTS (continued)

(e) Fair Value Estimation

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Financial Instruments measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analyzed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In 2022 and 2021, none of the Group's assets and liabilities had their fair value determined using the fair value hierarchy. No transfers between the levels of the fair value hierarchy occurred during the current or previous years.

Australian Disclosure Requirements

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages F-1 to F-50 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at June 30, 2022 and of its performance for the financial year ended on that date, and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

/s/ Geoffrey Kempler

Chairman
Melbourne

August 31, 2022

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Independent auditor's report

To the members of Alterity Therapeutics Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Alterity Therapeutics Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated statement of profit or loss and other comprehensive loss for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group runs a research and development stage biopharmaceutical operation and is in the process of developing potential treatments for neurodegenerative diseases. The Group owns intellectual property related to a portfolio of proprietary compounds with applications across different neurodegenerative diseases. It is headquartered in Melbourne, Australia.



| Materiality | Audit scope |
|---|--|
| <ul style="list-style-type: none">For the purpose of our audit we used overall Group materiality of \$630,000, which represents approximately 5% of the Group's loss before tax.We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. | <ul style="list-style-type: none">Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. |

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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 for the current period. The key audit matter was 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 this matter. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matter to the Audit Committee.

| Key audit matter | How our audit addressed the key audit matter |
|------------------|--|
|------------------|--|

Research and development tax incentive receivable

As described in Notes 1, 2 and 5 to the consolidated financial statements, the Group's research and development ("R&D") tax incentive receivable was \$4.7 million as of 30 June 2022, which was recorded as other income for the year ended 30 June 2022.

The Group assesses the R&D activities to determine which are eligible under the R&D tax incentive scheme and then records the expected R&D tax incentive amount as a receivable on the consolidated statement of financial position and other income in the consolidated statement of profit or loss and other comprehensive loss. The Group applies significant judgement in determining whether the R&D activities and related expenditures are eligible under the R&D tax incentive scheme.

The principal considerations for our determination that performing procedures relating to the R&D tax incentive receivable is a key audit matter are the significant judgements made by the Group to determine whether the R&D activities and related expenditures are eligible under the R&D tax incentive scheme. This in turn led to a high degree of auditor subjectivity, judgement and effort to evaluate the audit evidence related to the valuation of the R&D tax incentive receivable.

Our audit procedures included, among others, testing the Group's process for determining the R&D tax incentive receivable, which included:

- evaluating the appropriateness of the valuation methodology used to estimate the amount of the R&D tax incentive receivable;
- testing the completeness and accuracy of the underlying expense data used to determine the R&D tax incentive receivable; and
- evaluating, for a selection of eligible expenditures, the appropriateness of the Group's assessment of eligibility.

The work of the Group's expert was considered as part of our procedures to evaluate the appropriateness of the R&D tax incentive receivable. As a basis for using this work, we obtained an understanding of the expert's qualifications and the Group's relationship with the expert was assessed. The procedures performed also included evaluation of the assumptions used by the expert and an evaluation of the expert's findings.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 42 to 50 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Alterity Therapeutics Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'J. Roberts'.

Jon Roberts
Partner

Melbourne
31 August 2022

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Auditor's Independence Declaration

As lead auditor for the audit of Alterity Therapeutics Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alterity Therapeutics Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J. Roberts' with a stylized flourish at the end.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
31 August 2022

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ITEM 19. EXHIBITS

Index to Exhibits.

| Exhibit Number | Exhibit Description | Incorporated by Reference | | |
|----------------|---|---------------------------|----------------------|-----------------------------|
| | | Form | Exhibit | Filing Date/Period End Date |
| 1 | Constitution of Registrant. | 20-F | 1.1 | 6/30/09 |
| 2.1 | Deposit Agreement dated March 23, 2001, as amended and restated as of December 21, 2007, among the Registrant, the Bank of New York, as Depositary, and owners and holders from time to time of ADRs issued thereunder, including the Form of American Depositary Receipts. | F-6 POS | 1 | 12/21/07 |
| 2.2 | Certificate of Registration on Change of Name. | F-3 | 4.2 | 5/13/19 |
| 2.3 | Rights Attached to Ordinary Shares. | | | |
| 4.1 | License Agreement dated January 1, 2001, between the Registrant and The General Hospital Corporation. | 20-F | | 5/29/02 |
| 4.2 | Variation Agreement dated August 8, 2001, between the Registrant and The General Hospital Corporation, which amends the License Agreement dated January 1, 2001, between the parties. | 20-F | | 5/29/02 |
| 4.3 | Agreement to Provide Accounting, Administration, Corporate Advice and Company Secretarial Services dated February 23, 2000, between the Registrant and Malvern Administrative Services (now The CFO solution). | 20-F | | 5/29/02 |
| 4.4 | Second Amendment to Exclusive License Agreement dated January 1, 2001, between the Registrant and The General Hospital Corporation dated March 15, 2004. | 20-F | 4.6 | 6/30/04 |
| 4.6 | Prana Biotechnology Limited, 2018 American Depositary Share (ADS) Option Plan. | 6-K | Annexure A to Item 1 | 11/3/04 |
| 4.7 | Prana Biotechnology Limited, 2004 Employees', Directors' and Consultants' Share and Option Plan. | 6-K | Annexure B to Item 1 | 11/3/04 |
| 4.8 | Sixth Research Funding and Intellectual Property Assignment Agreement dated November 7, 2014. | | | |
| 8.1* | List of Subsidiaries of the Registrant. | | | |
| 12.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended. | | | |
| 12.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended. | | | |

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| | |
|---------|--|
| 13.1* | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 13.2* | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 15.1* | Consent of PricewaterhouseCoopers. |
| 15.2* | Auditor's independence declaration. |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith.

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SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this report on its behalf.

Alterity Therapeutics Limited

By: /s/ David A. Stamler

David A. Stamler

Chief Executive Officer

Dated August 31, 2022

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Alterity Therapeutics Limited
Shareholder information
June 30, 2022

The shareholder information set out below was applicable as at August 26, 2022.

A. Distribution of equity securities

Ordinary shares

2,406,874,578 fully paid ordinary shares are held by 5,590 individual shareholders. All ordinary shares carry one vote per share.

Analysis of numbers of equity security holders by size of holding:

| Holding | No. of Holders |
|------------------|----------------|
| 1 - 1000 | 508 |
| 1,001 - 5,000 | 1,103 |
| 5,001 - 10,000 | 537 |
| 10,001 - 100,000 | 2,327 |
| 100,001 and over | 1,115 |
| | 5,590 |

Including:

| | |
|----------------------|-------|
| Unmarketable parcels | 3,388 |
|----------------------|-------|

Options

- 12,450,000 unlisted options exercisable at \$0.11 on or before 14 December 2022, are held by 8 individual shareholders
- 700,000 unlisted options exercisable at \$0.08 on or before 31 January 2023, are held by 1 individual shareholder
- 35,000,000 unlisted options exercisable at \$0.09 on or before 17 September 2025, are held by 4 individual shareholders
- 674,694,939 free-attaching options exercisable at \$0.07 on or before 23 November 2023, are held by 84 individual shareholders
- 91,392,720 unlisted options exercisable at \$0.03 on or before 6 January 2026, are held by 1 individual shareholder
- 12,000,000 unlisted options exercisable at \$0.07 on or before 31 July 2024, are held by 1 individual shareholder
- 19,250,000 unlisted options exercisable at \$0.04 on or before 29 November 2026, are held by 8 individual shareholders
- 13,900,000 unlisted options exercisable at \$0.02 on or before 29 November 2026, are held by 5 individual shareholders

All options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

Alterity Therapeutics Limited
Shareholder information
June 30, 2022
(continued)

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

| Name | Ordinary shares | |
|--|----------------------|-----------------------------|
| | Number held | Percentage of issued shares |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,267,752,691 | 52.67 |
| LIFE BIOSCIENCES LLC | 146,300,493 | 6.08 |
| JAGEN PTY LTD | 38,556,497 | 1.60 |
| MR ANURAG PANDEY | 21,042,904 | 0.87 |
| CITICORP NOMINEES PTY LIMITED | 20,004,910 | 0.83 |
| CAPUANO NOMINEES PTY LTD <THE HARTMAN INVESTMENT A/C> | 19,270,000 | 0.80 |
| ANDREW MARK WILMOT SETON | 16,488,598 | 0.69 |
| RENTUK SHORE PTY LTD | 15,641,719 | 0.65 |
| MISS JIA LU | 15,543,770 | 0.65 |
| MR BUU LAN AU | 15,489,010 | 0.64 |
| BAYWICK PROPRIETARY LIMITED <THE RETAIL DISCRETIONARY A/C> | 14,165,000 | 0.59 |
| MS ELIF CEREN GUNES | 13,000,000 | 0.54 |
| BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 12,394,697 | 0.51 |
| FAGAN HARRIS PTY LTD <FAGAN HARRIS SUPER FUND A/C> | 10,500,000 | 0.44 |
| MR JASON KHOO | 10,000,000 | 0.42 |
| MR DAVID JOHN SOUTHON <SOUTHON FAMILY A/C> | 9,704,781 | 0.40 |
| MRS KATE ELIZABETH SCHROETER | 8,942,495 | 0.37 |
| MR BENJAMIN WOOLVETT | 8,700,000 | 0.36 |
| MR MINH HUY LAM | 8,003,000 | 0.33 |
| FOSTER CAPITAL NZ LIMITED <COLT EMERGING COMPANIES A/C> | 8,000,000 | 0.33 |
| MR MASSIMO RAIOLA | 8,000,000 | 0.33 |
| | 1,687,500,565 | 70.10 |

Unquoted equity securities

There are no unquoted equity securities holding greater than 20%.

C. Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the Share Registry:

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria, 3067, Australia
Telephone: 1300 85 05 05 (within Australia) + 61 3 9415 4000 (overseas)
Facsimile: + 61 3 9473 2500
Email: essential.registry@computershare.com.au
Website: www.computershare.com.au

D. Change of address, change of name and consolidation of shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

Alterity Therapeutics Limited
Shareholder information
June 30, 2022
(continued)

E. Annual report mailing

Shareholders who wish to receive a hard copy of the Annual Financial Report should advise the Share Registry or the Group in writing. Alternatively, an electronic copy of the Annual Financial Report is available from www.asx.com.au or www.alteritytherapeutics.com. All shareholders will continue to receive all other shareholder information.

F. Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

G. CHESS (Clearing House Electronic Sub-register System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS system should contact their stockbroker.

H. Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of your holding.

I. Website

Shareholders wishing to access specific information about their holding can visit the Share Registry's website at www.computershare.com.au

Directors

Mr. Geoffrey Kempler
Non-Executive Chairman

Mr. Lawrence Gozlan
Non-Executive Director

Mr. Peter Marks
Independent Non-Executive Director

Mr. Brian Meltzer
Independent Non-Executive Director

Secretary

Mr. Phillip Hains

**Principal registered
office in Australia**

Level 3, 62 Lygon Street
Carlton Victoria 3053
Australia
+61 3 9824 5254

Share register

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
1300 85 05 05 (within Australia) & +61 3 9414 4000 (overseas)

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006

Solicitors

Quinert Rodda & Associates Pty Ltd
Level 6/400 Collins St
Melbourne Victoria 3000

Website

www.alteritytherapeutics.com