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

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of February 2020
Commission File Number 000-49843

ALTERITY THERAPEUTICS LIMITED
(Name of Registrant)

LEVEL 3, 460 BOURKE STREET, MELBOURNE, VIC 3000, AUSTRALIA
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

This Form 6-K is not being incorporated by reference into the Registrant's Registration Statements on Form F-3 (Files No. 333-220886 and 333-231417) and Form S-8 (File No. 333-228671).

ALTERITY THERAPEUTICS LIMITED
(a development stage enterprise)

The following exhibits are submitted:

99.1 [Condensed Consolidated Financial Statements of Alterity Therapeutics Limited and Subsidiaries \(a development stage enterprise\) as of December 31, 2019](#)

99.2 [Operating and Financial Review and Prospects for the Six Months ended December 31, 2019](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alterity Therapeutics Limited

/s/ Geoffrey P. Kempler

By: Geoffrey P. Kempler
Chairman and Chief Executive Officer

Date: February 27, 2020

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF ALTERITY THERAPEUTICS LIMITED AND SUBSIDIARIES, OR THE
GROUP (A DEVELOPMENT STAGE ENTERPRISE) AS OF DECEMBER 31, 2019
IN AUSTRALIAN DOLLARS**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in Australian dollars)
(Unaudited)

| | Notes | 31 December 2019 A\$ | 30 June 2019 A\$ |
|--------------------------------------|-------|----------------------------|------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 12,178,695 | 14,399,904 |
| Trade and other receivables | 8(a) | 1,879,958 | 4,829,497 |
| Other current assets | | 309,733 | 631,769 |
| Total current assets | | 14,368,386 | 19,861,170 |
| Non-current assets | | | |
| Property, plant and equipment | | 117,334 | 48,748 |
| Total non-current assets | | 117,334 | 48,748 |
| Total assets | | 14,485,720 | 19,909,918 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 2,624,398 | 2,718,174 |
| Provisions | | 545,398 | 601,995 |
| Other current liabilities | | 70,344 | - |
| Total current liabilities | | 3,240,140 | 3,320,169 |
| Non-current liabilities | | | |
| Provisions | | 37,126 | 34,976 |
| Other non-current liabilities | | 10,784 | - |
| Total non-current liabilities | | 47,910 | 34,976 |
| Total liabilities | | 3,288,050 | 3,355,145 |
| Net assets | | 11,197,670 | 16,554,773 |
| EQUITY | | | |
| Contributed equity | 9(a) | 156,922,052 | 156,632,636 |
| Reserves | 10(a) | 1,158,975 | 1,158,975 |
| Accumulated losses | | (146,883,357) | (141,236,838) |
| Total equity | | 11,197,670 | 16,554,773 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(in Australian dollars)
(Unaudited)

| | Notes | 31 December 2019 A\$ | 31 December 2018 A\$ |
|--|-------|-------------------------------------|----------------------------|
| Income | | | |
| Interest income | 6 | 14,133 | 66,364 |
| Other income | 6 | 1,855,172 | 2,426,518 |
| Expenses | | | |
| Intellectual property expenses | | (102,232) | (82,667) |
| General and administration expenses | 7 | (1,747,986) | (2,031,326) |
| Research and development expenses | 7 | (5,747,034) | (5,890,241) |
| Other operating expenses | | (40,136) | (28,162) |
| Other gains/(losses) | 7 | 127,825 | 199,287 |
| Loss for the period | | (5,640,258) | (5,340,227) |
| Loss before income tax | | (5,640,258) | (5,340,227) |
| Income tax expense | | - | - |
| Other comprehensive loss | | | |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive loss for the period | | (5,640,258) | (5,340,227) |
| | | Cents | Cents |
| Loss per share for profit attributable to the ordinary equity holders of the company: | | | |
| Basic loss per share | 5 | 0.65 | 0.99 |
| Diluted loss per share | 5 | 0.65 | 0.99 |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in Australian dollars)
(Unaudited)

| | Notes | 31 December 2019 A\$ | 31 December 2018 A\$ |
|--|-------|-------------------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (7,424,156) | (7,290,291) |
| R&D tax incentive refund | | 4,824,880 | - |
| Interest paid | | (2,474) | - |
| Interest received | | 16,124 | 68,526 |
| Net cash (outflow) from operating activities | 10 | (2,585,626) | (7,221,765) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (7,499) | (3,273) |
| Net cash (outflow) from investing activities | | (7,499) | (3,273) |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares and other equity securities | | 372,506 | 166,086 |
| Transaction costs relating to issue of equity | | (83,090) | (23,140) |
| Principle elements of lease payments | | (45,325) | - |
| Net cash inflow from financing activities | | 244,091 | 142,946 |
| Net (decrease) in cash and cash equivalents | | (2,349,034) | (7,082,092) |
| Cash and cash equivalents at the beginning of the financial year | | 14,399,904 | 15,235,556 |
| Effects of exchange rate changes on cash and cash equivalents | | 127,825 | 229,797 |
| Cash and cash equivalents at end of period | | 12,178,695 | 8,383,261 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in Australian dollars)
(Unaudited)

| | Notes | Attributable to owners of Alterity Therapeutics Limited | | | |
|---|-------|--|------------------|------------------------------|-------------------|
| | | Contributed equity A\$ | Reserves A\$ | Accumulated losses A\$ | Total A\$ |
| Balance at 1 July 2018 | | 143,910,328 | 1,753,954 | (129,583,125) | 16,081,157 |
| Loss for the period | | - | - | (5,340,227) | (5,340,227) |
| Total comprehensive income for the period | | - | - | (5,340,227) | (5,340,227) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of ordinary shares | 9 | 166,086 | - | - | 166,086 |
| Share-based payment expenses | | - | 79,090 | - | 79,090 |
| Transaction costs | 9 | (63,140) | - | - | (63,140) |
| Expired options | | - | (620,323) | 620,323 | - |
| | | 102,946 | (541,233) | 620,323 | 182,036 |
| Balance at 31 December 2018 | | 144,013,274 | 1,212,721 | (134,303,029) | 10,922,966 |
| Balance at 1 July 2019 | | 156,632,636 | 1,158,975 | (141,236,838) | 16,554,773 |
| Initial adoption of AASB 16* | | - | - | (6,261) | (6,261) |
| Restated total equity at the beginning of the financial period | | 156,632,636 | 1,158,975 | (141,243,099) | 16,548,512 |
| Loss for the period | | - | - | (5,640,258) | (5,640,258) |
| Total comprehensive income for the period | | - | - | (5,640,258) | (5,640,258) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of ordinary shares | 9 | 372,506 | - | - | 372,506 |
| Transaction costs | 9 | (83,090) | - | - | (83,090) |
| | | 289,416 | - | - | 289,416 |
| Balance at 31 December 2019 | | 156,922,052 | 1,158,975 | (146,883,357) | 11,197,670 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

(*) See note 14 for details regarding the adjustment as a result of a change in accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in Australian dollars)
(Unaudited)

Note 1: Basis of Preparation

This condensed consolidated interim report for the half-year reporting period ending 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as applicable to interim financial reporting.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report on the Form 20-F for the year ended 30 June 2019 and any public announcements made by Alterity Therapeutics Limited ("the "Group") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Reclassification of comparatives

The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

(a) New and amended standards adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board 'AASB' that are mandatory for the current reporting period. The Group has changed its accounting policies and applied the modified retrospective method where required as a result of adopting the new standards.

The impact of the adoption of these standards and the new accounting policies are disclosed below and in note 14.

(b) Going concern

The Group is a development stage medical biotechnology company and as such expects to be utilising cash until the results of its research activities have become marketable. For the six months ended 31 December 2019, the Group incurred an operating loss of A\$5,640,258 and an operating cash outflow of A\$2,585,626 compared with an operating loss of A\$5,340,227 and an operating cash outflow of A\$7,221,765 for the six months ended 31 December 2018. As at 31 December 2019 the net assets of the Group stood at A\$11,197,670 compared with A\$16,554,773 at June 30, 2019 and our cash position decreased to A\$12,178,695 from A\$14,399,904 at 30 June 2019.

The Directors intend to raise new equity funding within the next six months to meet our forecasted cash requirements to enable progression of the Group's planned research and development programs.

The continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitments as they fall due are dependent on this funding, together with maintaining implemented cost containment and deferment strategies.

Management and the Directors believe the Group will be successful in raising new equity funding and accordingly have prepared the financial report on a going concern basis, notwithstanding there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and that it may be unable to realise its assets and liabilities in the normal course of business.

Note 1: Basis of Preparation (continued)

References to matters that may cast significant doubt about the Group's ability to continue as a going concern also raise substantial doubt as contemplated by the Public Company Accounting Oversight Board (PCAOB).

Note 2: Significant changes in the current reporting period

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

Note 3: Segment information

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 the Company. For the current and previous reporting periods, the Group operated in one segment, being research and development in the field of Parkinsonian movement disorders, Alzheimer's disease, Huntington disease and other neurodegenerative disorders.

Note 4: Dividends

The Group has not declared any dividends in the period ended 31 December 2019 (2018 : nil)

Note 5: Loss per share**(a) Basic loss per share**

| | Six months ended December 31, | |
|---|----------------------------------|-----------------|
| | 2019 (cents) | 2018 (cents) |
| From continuing operations attributable to the ordinary equity holders of the Group | 0.65 | 0.99 |

(b) Diluted loss per share

| | Six months ended December 31, | |
|---|----------------------------------|-----------------|
| | 2019 (cents) | 2018 (cents) |
| From continuing operations attributable to the ordinary equity holders of the Group | 0.65 | 0.99 |

(c) Reconciliation of earnings used in calculating loss per share

| | Six months ended December 31, | |
|--|----------------------------------|-----------|
| | 2019 | 2018 |
| <i>Basic earnings per share</i> | | |
| Loss attributable to the ordinary equity holders of the Group used in calculating basic loss per share: | 5,640,258 | 5,340,227 |
| <i>Diluted earnings per share</i> | | |
| Loss attributable to the ordinary equity holders of the Group used in calculating diluted loss per share | 5,640,258 | 5,340,227 |
| Adjustments | - | - |
| Loss attributable to the ordinary equity holders of the Group used in calculating diluted loss per share | 5,640,258 | 5,340,227 |

(d) Weighted average number of shares used as denominator

| | Six months ended December 31, | |
|--|----------------------------------|----------------|
| | 2019 Number | 2018 Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | 868,327,981 | 536,789,698 |

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore, they have been excluded from the calculation of diluted loss per share.

Note 6: Interest and other income

| | 31 December 2019 A\$ | 31 December 2018 A\$ |
|----------------------------------|-------------------------------------|-------------------------------------|
| Interest and other income | | |
| Interest income | 14,133 | 66,364 |
| | <u>14,133</u> | <u>66,364</u> |
| Other Income | | |
| R&D tax incentive | 1,855,172 | 2,426,518 |
| | <u>1,855,172</u> | <u>2,426,518</u> |

Note 7: Loss for the period

| | 31 December 2019 A\$ | 31 December 2018 A\$ |
|--|-------------------------------------|-------------------------------------|
| Loss before income tax has been determined after: | | |
| General and administration expenses | | |
| Depreciation on fixed assets | 14,390 | 14,675 |
| Depreciation on leased assets | 42,827 | - |
| Employee expenses (non R&D related) | 286,064 | 332,529 |
| Consultant and director expenses | 371,559 | 767,684 |
| Audit, internal control and other assurance expenses | 120,604 | 100,847 |
| Corporate compliance expenses | 194,569 | 176,723 |
| Office rental | 30,317 | 73,743 |
| Other administrative and office expenses | 358,599 | 375,620 |
| Insurance expenses | 329,057 | 189,505 |
| | <u>1,747,986</u> | <u>2,031,326</u> |
| Research and development expenses | | |
| Employee expenses | 1,356,509 | 1,256,939 |
| Other research and development expenses | 4,390,525 | 4,633,302 |
| | <u>5,747,034</u> | <u>5,890,241</u> |
| Other gains and losses | | |
| Foreign exchange loss / (gain) | (127,825) | (199,287) |
| | <u>(127,825)</u> | <u>(199,287)</u> |

Note 8: Financial assets and financial liabilities**(a) Trade and other receivables**

| | As at | |
|-----------------------------------|--------------------------------------|----------------------------------|
| | December 31, 2019 A\$ | June 30, 2019 A\$ |
| Current | | |
| R&D tax incentive receivable | 1,855,562 | 4,825,270 |
| Accrued interest income | 138 | 2,129 |
| Goods and services tax receivable | 24,258 | 2,098 |
| | <u>1,879,958</u> | <u>4,829,497</u> |

Note 8: Financial assets and financial liabilities (continued)

R&D tax incentive receivable represents the amount of R&D tax incentive the Group expects to recover. For further details, see note 15(a).

(i) Classification as trade and other receivables

Trade receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are generally due for settlement within one year and therefore are all classified as current.

(b) Recognised fair value measurements

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed 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).

During the period, 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 periods.

Note 9: Contributed equity

| | Note | As at | | | |
|--|------|-------------------|-------------|---------------|-------------|
| | | December 31, 2019 | | June 30, 2019 | |
| | | No. | A\$ | No. | A\$ |
| Fully paid ordinary shares | (a) | 872,613,872 | 156,922,052 | 860,837,432 | 156,632,636 |
| Options for fully paid ordinary shares | | - | - | - | - |
| | | 872,613,872 | 156,922,052 | 860,837,432 | 156,632,636 |

a) Fully paid ordinary shares

| | As at | | | |
|--|-------------------|-------------|-------------------|-------------|
| | December 31, 2019 | | December 31, 2018 | |
| | No. | A\$ | No. | A\$ |
| At the beginning of reporting period | 860,837,432 | 156,632,636 | 533,891,470 | 143,910,328 |
| Shares issued during the period | 11,776,440 | 372,506 | 3,083,580 | 166,086 |
| Transaction costs relating to share issues | - | (83,090) | - | (63,140) |
| At the end of reporting period | 872,613,872 | 156,922,052 | 536,975,050 | 144,013,274 |

Note 10: Reserves

| | Note | As at | | | |
|---|------|-------------------|-----------|---------------|-----------|
| | | December 31, 2019 | | June 30, 2019 | |
| | | No. | A\$ | No. | A\$ |
| Options over fully paid ordinary shares | (a) | 25,300,000 | 1,158,975 | 25,300,000 | 1,158,975 |
| Short-term warrants | | | | 586,672,964 | - |
| | | 25,300,000 | 1,158,975 | 611,972,964 | 1,158,975 |

(a) Options and Warrants over fully paid ordinary shares

| | As at | | | |
|--------------------------------------|-------------------|-----------|-------------------|-----------|
| | December 31, 2019 | | December 31, 2018 | |
| | No. | A\$ | No. | A\$ |
| At the beginning of reporting period | 611,972,964 | 1,158,975 | 25,216,490 | 1,753,954 |
| Movement during the period | (586,672,964) | - | 183,510 | (541,233) |
| At the end of reporting date | 25,300,000 | 1,158,975 | 25,400,000 | 1,212,721 |

Note 11: Reconciliation of profit after income tax to net cash flow from operating activities

| | 31 December 2019 A\$ | 31 December 2018 A\$ |
|---|----------------------------|----------------------------|
| Loss for the year | 5,640,258 | 5,340,227 |
| Depreciation | (57,217) | (14,675) |
| Other | 6,261 | - |
| Non-cash employee benefits expense - share-based payments | - | (79,091) |
| Net foreign exchange differences | 127,825 | 229,796 |
| (Increase)/decrease in provisions | 54,447 | 38,159 |
| Increase/(decrease) in trade and other receivables | (2,949,539) | 2,437,159 |
| Increase/(decrease) in other current assets | (322,036) | (153,947) |
| Increase/(decrease) in other non-current assets | 72,979 | - |
| (Increase)/decrease in trade and other payables | 93,776 | (575,863) |
| (Increase)/decrease in other current liabilities | (70,344) | - |
| (Increase)/decrease in other non-current liabilities | (10,784) | - |
| | 2,585,626 | 7,221,765 |

Note 12: Related party transactions

During the period ending 31 December 2019, there were no related party transactions other than those related to director and key management personnel remuneration and equity and transactions by the Group and its subsidiaries.

Note 13: Events occurring after the reporting date

No matter or circumstance has occurred subsequent to period 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 periods.

Note 14: Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note 14(c) below.

Note 14: Changes in accounting policies (continued)

(a) Impact on the financial statements

The Group has adopted AASB 16 retrospectively 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.

(b) AASB 16 Leases – Impact of adoption

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB117 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 at 31 December 2019. 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 AASB 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 at 1 July 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 AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of Lease Liabilities

| | A\$ |
|--|----------------|
| Operating lease commitments disclosed at 30 June 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 at 1 July 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 1 July 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 at 1 July 2019 as short-term leases.

On impact of adoption, the right-of-use assets of \$88,477 are classified under Property, Plant and equipment in the consolidated statement of financial position. The corresponding current lease liability of \$77,655 is classified under Other current liabilities and the non-current lease liability of \$17,073 is classified under Other non-current liabilities.

Note 14: Changes in accounting policies (continued)

(c) Accounting policies applied from 1 July 2019

From 1 July 2019, 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 period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

Note 15: Significant estimates and assumptions

Estimates and judgements 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 Company and its two wholly-owned subsidiaries (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 period are discussed below.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The Group has adopted new accounting standards AASB 16 as disclosed in note 14 and has appropriately changed accounting policies where needed.

(a) R&D Tax Incentives

A refundable research and development tax incentive offset of 43.5%, equivalent to a deduction of 150%, will be available to eligible small companies with an annual aggregate turnover of less than \$20 million. Eligible companies can receive a refundable research and development tax incentive offset of 43.5% of their research and development spending.

The Group's research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 31 December 2019 the Group has recorded an item in other income of A\$1,855,172 compared with A\$2,426,518 for the comparable 2018 period to recognise this amount which relates to this period.

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,” “potential”, “plan”, “should”, “expect”, variations of such words 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. Factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission, or the SEC, including our Annual Report on Form 20-F. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included in Exhibit 99.1.

BACKGROUND

Alterity Therapeutics Limited, or the Company (or together with its subsidiaries, the Group), is a development stage enterprise incorporated under the laws of the Commonwealth of Australia on November 11, 1997. Our mission is to develop therapeutic drugs designed to treat the underlying cause of degeneration of the brain as the aging process progresses. 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.

Our interim consolidated financial statements appearing in Exhibit 99.1 are prepared in Australian dollars and in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and comply with both IFRS as issued by the IASB and Australian equivalents to International Financial Reporting Standards, or A-IFRS. In this report, all references to “U.S. dollars” or “US\$” are to the currency of the United States of America, and all references to “Australian dollars” or “A\$” are to the currency of Australia.

All of our current 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 stage in the development of our pharmaceutical products that are designed to treat the underlying causes of neurodegeneration. 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. Our product candidates are in early to midstage 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 pre-clinical testing, manufacturing and clinical trials, as well as for obtaining regulatory approval. For additional details about our risks see Item 3.D., “Key Information – Risk Factors,” of our Form 20-F for the year ended June 30, 2019.

To date, we have funded our operations primarily through the sale of equity securities, proceeds from the exercise of options, government grants, tax incentive payments, 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 developed a diversified library of chemical compounds, which may yield future product candidates across various neurodegenerative indications. For additional details regarding our clinical trials see Item 4.A., “Information on the Company - History and Development of the Company,” of our Form 20-F for the year ended June 30, 2019.

HIGHLIGHTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

Operations

Detailed below is an update on the status of the Group's research and development projects and overall operations for the half-year ended 31 December 2019.

The Group's 30 June 2019 Annual Report contains detailed background information relating to its operations including its research and development projects and collaboration partners and should be read in conjunction with this report.

Development update for PBT434

Alterity Therapeutics' lead drug candidate PBT434, a novel, small molecule targeting pathological alpha-synuclein protein, achieved significant clinical and regulatory developments over the period.

The Company's Phase 1 Clinical trial found PBT434 was considered safe and well-tolerated in adult and older adult (≥ 65 years) volunteers, with an adverse event profile comparable to placebo.

From the results, PBT434 looks to treat neurodegenerative diseases resulting from accumulation and aggregation of alpha-synuclein protein, such as Multiple Systems Atrophy (MSA) and Parkinson's disease (PD). By inhibiting the alpha-synuclein aggregation, PBT434 was found to preserve neurons and improve motor function in pre-clinical models of MSA and PD.

Importantly the results also indicated that PBT434 not only crosses the blood brain barrier in humans, confirming previous observations in animal studies, but that the clinically tested doses achieve concentrations in the brain that exceed those associated with the reported efficacy in animal models.

Alterity has presented the findings to the scientific, MSA, and PD research communities at the 2019 International Congress of Parkinson's disease and Movement Disorders (MDS Congress), further enhancing the Company and its drug, as a potential leader in this treatment space.

The Company is already in the preparatory phase of planning its Phase 2 clinical trial of PBT434 in MSA, and will provide further updates in the coming months.

Regulatory developments over the period saw PBT434 receive a positive opinion from the Committee for Orphan Medicinal Products (COMP) on recommending the designation of the drug for the treatment of MSA as an orphan medicinal product to the European Commission (EC). Subsequent to the end of the period, in January 2020, the Company announced the EC had granted Orphan Drug designation. The designation of PBT434 as an Orphan Drug by the EC entitles Alterity to ten years of market exclusivity in the European Union for the use of PBT434 in the treatment of MSA. The designation also grants access to other benefits including assistance in developing clinical protocols, reduced fees and access to EU-funded research grants. The designation follows granting of orphan drug status by the US Food and Drug Administration (FDA) early in 2019.

Operational update for Alterity's Translational Research program

The Alterity research team continues to evaluate new chemical scaffolds that have potential to intercede in various disease processes. Promising candidates arising from the Translational Research program will be tested in relevant animal models of Parkinsonian diseases, other neurodegenerative diseases, and potential applications outside of neurodegeneration.

PBT2

Alterity Therapeutics continues to pursue inbound interest for the application of PBT2 in diseases outside of neurological disease.

Cash

The Group's cash on hand as at December 31, 2019 totaled A\$12.18 million. In addition, the Group has recorded a trade receivable at December 31, 2019 of A\$1.85 million from the Australian Tax Office. This amount is in respect of the 2020 R&D tax incentive claim.

SIX MONTHS ENDED DECEMBER 31, 2019 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2018

Income from ordinary activities

Income from ordinary activities, consisting of interest income, decreased to A\$14,133 for the six months ended December 31, 2019 from A\$66,364 for the six months ended December 31, 2018, a decrease of A\$52,231, or 78.7%. The decrease in interest income is primarily attributable to decreased amounts of cash being carried in interest bearing accounts.

Other income

Other income of A\$1,855,172 for the six months ended December 31, 2019 consists of the Group's estimate of R&D tax incentive claimable from the Australian Tax Office. This amount was calculated based on the tax incentive policy introduced by the Australian Government on July 1, 2011. The Group is entitled to 43.5% of tax incentives based on the total eligible research and development expenditure incurred during the period. This amount decreased by A\$571,346, or 23.55% from A\$2,426,518 for the six months ended December 31, 2018. This decrease in total R&D expenditures is primarily caused by the decrease in the period attributable to the conclusion of the Phase I study of the Group's lead product candidate PBT434.

General and administration expenses

General and administration expenses decreased to A\$1,747,986 for the six months ended December 31, 2019 from A\$2,031,326 for the six months ended December 31, 2018, which represented a decrease of A\$283,340, or 13.95%. The decrease in general and administration expenses was mainly caused by decreased business development costs.

Research and development expenses

Research and development expenses decreased to A\$5,747,034 for the six months ended December 31, 2019 from A\$5,890,241 for the six months ended December 31, 2018, which represented a decrease of A\$143,207, or 2.43%. The decrease in research and development expenses in the six months ending December 31, 2019 was primarily due to the decreased research and development activities in relation to the conclusion of the Group's lead product candidate PBT434 Phase I study.

Other gains and losses

Other gains and losses consist of gains from foreign exchange for the periods. Gains from foreign exchange decreased to A\$127,825 for the six months ended December 31, 2019 from a gain of A\$199,287 for the six months ended December 31, 2018, a decrease of A\$71,462, or 35.86%. In the 6 months ended December 31, 2019, the Australian dollar appreciated against the US dollar by 0.41%, while in the 2018 period the Australian dollar depreciated by 5.04%.

INFLATION AND SEASONALITY

Management believes that inflation has had no material impact on the Group's operations or financial condition and that our operations are not currently subject to seasonal influences.

LIQUIDITY AND CAPITAL RESOURCES

We are a development stage company and have had no sales income to date, and as of December 31, 2019 our accumulated deficit totaled A\$146,883,357. 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, tax incentive payments, licensing and research collaborations and interest earned on investments. Please see our Annual Report on Form 20-F for the year ended June 30, 2019 for a discussion of our financing efforts prior to June 30, 2019.

We had A\$12,178,695 of cash and cash equivalents at December 31, 2019 compared to A\$14,399,904 at June 30, 2019.

Capital expenditures for the six months ended December 31, 2019 were A\$7,499 and capital expenditures for the six months ended December 31, 2018 were A\$3,273. These expenditures were principally for computer equipment. We currently do not have significant capital spending or purchase commitments, but we expect to continue to engage in capital spending consistent with the level of our operations.

We believe that 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 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 offset. In the half-year ended December 31, 2019, we recorded A\$1,855,172 in other income with respect to funds we will receive in relation to the 2020 financial year under the research and development incentive scheme. In the half-year ended December 31, 2018, we recorded A\$2,426,518 in other income with respect to funds we will receive in relation to the 2019 financial year under the research and development incentive scheme.

Cash Flows

Net cash used in operating activities decreased to A\$2,585,626 for the six months ended December 31, 2019 from A\$7,221,765 for the six months ended December 31, 2018. Net cash used in operating activities consists of payments to suppliers and employees and the R&D Tax Incentive cash refund. The decrease in net cash used in the 2019 period was due to the decreased research and development activities in relation to the Group's lead product candidate PBT434 including the Phase I study conclusion and receipt of the R&D tax incentive refund for the 2019 financial year within the current period.

Net cash used by investing activities increased to A\$7,499 for the six months ended December 31, 2019 from A\$3,273 for the six months ended December 31, 2018. Cash flows used for investing activities was primarily attributable to payments for the purchase of computer and office equipment in both periods.

Net cash generated from financing activities increased to A\$244,091 for the six months ended December 31, 2019 from A\$142,946 used for the six months ended December 31, 2018. The increase is attributable to the issue of shares under our At-the- Market facility in the current period.

We realized a foreign exchange gain of A\$127,825 for the six months ended December 31, 2019 compared to a gain of A\$229,797 for the six months ended December 31, 2018. In the 6 months ended December 31, 2019, the Australian dollar appreciated against the US dollar by 0.41%, while in the 2018 period the Australian dollar depreciated by 5.04%.

OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

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.

RISK FACTORS

There have been no material changes in our risk factors reported in our Annual Report on Form 20-F for the year ended June 30, 2019.