

ADALTA LTD
ABN 92 120 332 925
(formerly AdAlta Pty Ltd)

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

ADALTA LTD
ABN 92 120 332 925

CORPORATE DIRECTORY

DIRECTORS

Paul MacLeman PhD
Samantha Cobb
James Williams PhD
Liddy McCall
John Chiplin PhD

COMPANY SECRETARY

Ian Hobson

REGISTERED OFFICE

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Telephone: +61 3 9479 5159
Email: enquiries@adalta.com.au
Website: adalta.com.au

STOCK EXCHANGE

Australian Securities Exchange Limited
2 The Esplanade
Perth WA 6000

ASX CODE 1AD

SHARE REGISTRY

Automic Registry Services
Suite 310, Level 3
50 Holt Street
Surrey Hills NSW 2010
Telephone: 1300 288 664
Telephone: +61 2 9698 5414
Website: automic.com.au

AUDITOR

Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
100 Railway Road
Subiaco WA 6008

BANKERS Westpac Banking Corporation

SOLICITORS

Hive Legal Pty Ltd
Level 4, 50 Market Street
Melbourne VIC 3000

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DIRECTORS' REPORT

The Directors of AdAlta Limited ("AdAlta" or "the Company") submit herewith the annual report of the Company for the financial year ended 30 June 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors

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

Name	Particulars
Paul MacLeman MBA, BVSc, Grad Dip Tech, Grad Cert Eng, GAICD, MATTA	Chairman and non-executive Director, joined the Board 16 April 2015. Paul has wide ranging, hands on experience across the biotechnology sector, encompassing technical, commercial and financial areas. He has a career spanning veterinary practice, the pharmaceutical/biotechnology and investment banking sectors. Paul has experience in capital raising, business development, research management, technology commercialisation, staff development, and sales and marketing. He has also founded life sciences start-ups in the biologics area and worked in investment banking focusing on the analysis and financing of technology companies. Paul is currently CEO of ASX-listed pharmaceutical manufacturing Company IDT Australia Ltd (ASX:IDT).
Samantha Cobb BSc, MAPL, GAICD	Managing Director / CEO, appointed 29 June 2007. Sam is the founding CEO of AdAlta and has over fifteen years experience in business development and commercialisation of early stage scientific technologies. Prior to AdAlta, Sam was the Business Development Director at the Co-operative Research Centre for Diagnostics. Sam has also worked for the biotech start-up companies Sensologix Inc and Nephrogenix Pty Ltd and at the University of Queensland's technology commercialisation companies, Uniquest Pty Ltd and IMBcom Pty Ltd. Sam has a Bachelor of Science, a Masters of Intellectual Property Law and has completed the Australian Institute of Company Directors course.
Dr James Williams BSc (Hons), MBA, PhD, GAICD	Non-Executive Director, joined the Board 16 December 2010. Dr Williams is the Executive Chairman of Dimerix Limited as well as co-founder and investment Director of Yuuwa Capital LP, a venture capital firm based in Western Australia. Prior to establishing Yuuwa Capital, he was managing Director of two medical device companies, ASX-listed Resonance Health Limited and Argus Biomedical Pty Ltd, both of which secured regulatory approvals under his leadership. Dr Williams conceived, co-founded and is a former CTO and Director of iCeutica Inc., a clinical stage nano drug reformulation company. iCeutica was acquired by Philadelphia-based Iroko Pharmaceuticals in 2011. Dr Williams is Executive Chairman of Dimerix Limited (ASX:DXB) and a Director of Yuuwa investee companies PolyActiva Pty Ltd and Nexgen Plants Pty Ltd. He is also a Director of Linear Clinical Research Ltd, a specialist early phase trial unit and a member of the "Panel of Experts" for the University of Western Australia's Pathfinder Fund.
Elizabeth (Liddy) McCall, LLB., B.Juris, B.Com(Hons), GDipApFin(SIA), GAICD	Non-Executive Director, joined the Board 16 December 2010. Liddy is a co-founder and Investment Director of Yuuwa Capital LP. Liddy is also a Director of various unlisted Yuuwa investee companies. Her experience includes a range of roles in drug development and medical device companies, including business development and finance. She was co-founder and Director of iCeutica Inc. Liddy was also a co-founder of Dimerix Limited (now an ASX-listed clinical stage drug discovery and development company) and held various executive roles during its establishment and growth. Liddy was co-founder and Director of Tessitura Pty Ltd, a consulting company providing services to the biotechnology industry. Previously, Liddy was an Associate Director in the Corporate Advisory Company of Macquarie Bank and prior to that worked as a lawyer with a leading Australian law firm.

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John Chiplin

BPharm, PhD,
MRPharmS

Non-Executive Director, appointed 16 May 2014. John has significant international experience in the life science and technology industries, from both an operational and investment perspective. Recent transactions in which John has been instrumental include Benitec BioPharma (US IPO), Medistem Inc. (acquired by Intrexon Corporation for US\$26 million), former CEO of ASX-listed Arana Therapeutics (acquired by Cephalon Inc. for US\$200 million), and Domantis (acquired by GSK for £230 million). Immediately prior to running Arana, John was head of the ITI Life Sciences investment fund in the UK, negotiating significant funding with Government Ministers. His own investment company, Newstar Ventures Ltd., has funded more than a dozen early stage companies in the past ten years. John currently serves on the boards of Batu Biologics, Benitec BioPharma (NASDAQ: BNTC), The Coma Research Institute, Cynata Therapeutics Limited (ASX: CYN), Prophecy Inc, Scancell Holdings plc (LSE: SCLP), and ScienceMedia Inc.

The above named Directors held office during the whole of the financial year and since the end of the financial year.

Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Options under ESOP Number
Paul MacLeman	73,273	366,363
Samantha Cobb	653,092	790,751
James Williams ¹	54,119,848	-
Liddy McCall ¹	54,159,848	-
John Chiplin	561,756	249,127

¹James Williams and Elizabeth McCall's interests are partly held (54,059,848 ordinary shares) indirectly through Yuuwa Capital LP, a venture capital firm managed by its General Partner which is associated with James Williams and Elizabeth McCall

Company Secretary

Ian Hobson B.Bus, FCA, ACIS, MAICD

Mr Hobson is a chartered accountant and chartered company secretary with 30 years' experience. Ian acts as non-executive director and company secretary for ASX listed companies and is experienced in the areas of biotech, technology, finance, mining exploration, marine and mining services. Ian is a governance professional and facilitates finance and governance courses for AICD.

Dividends

No dividends have been paid or declared since the start of the financial year and the Directors have not recommended the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

(a) Details of unissued shares or interests under option as at the date of this report are:

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
252,057	Ordinary	\$0.17*	27 September 2016
145,976	Ordinary	\$0.17*	1 July 2018
20,569	Ordinary	\$0.17*	21 September 2018
381,018	Ordinary	\$0.17*	1 November 2018
291,953	Ordinary	\$0.17*	1 July 2019
818,378	Ordinary	\$0.17*	1 November 2019
234,472	Ordinary	\$0.17	1 November 2020

*50% of 1,909,951 Options have an exercise price of \$0.0002 if exercised within 3 months of vesting, and with the exercise price of the remaining 50% of those options being \$0.09 if exercised within 12 months of vesting. Otherwise the exercise price is \$0.17.

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The holders of these options do not have the right to participate in any share issue of the Company.

(b) Details of ordinary shares issued by the Company during the year on the exercise of options are:

Date option granted	Issue price of shares	Number of shares issued
27 June 2015	\$0.001	24,903
19 August 2015	\$0.001	3,597
11 November 2015	\$0.001	25,000

Indemnification of officers and auditors

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

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

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 11 Board meetings were held.

Directors	Board of Directors	
	Held	Attended
Paul MacLeman	11	11
Samantha Cobb	11	11
James Williams	11	8
Liddy McCall	11	9
John Chiplin	11	11

Proceedings on behalf of the Company

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

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 18 to the financial statements.

In the event non-audit services are provided, the Board has established procedures to ensure that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. These include:

- all non-audit services are reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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Auditor's independence declaration

The auditor's independence declaration is included on page 14 of the financial report.

Operating and financial review

Principal activities

The Company's principal activity during the course of the financial year was to develop its novel i-body platform with a focus on its lead candidate AD-114, a first-in class treatment for idiopathic pulmonary fibrosis (IPF) and other fibrotic diseases.

Operating results

The loss of the Company for the year ended 30 June 2016, after accounting for income tax benefit, amounted to (\$1,163,056) (30 June 2015: (\$1,307,868)). The year ended 30 June 2016 operating results are attributed to the following:

- Research and Development rebate: \$738,046 (30 June 2015: \$887,553);
- Cost of services \$1,413,975 (30 June 2015: \$1,712,080); and
- Employment benefit expense (\$224,620) (30 June 2015: (\$203,007)).

Review of operations

Summary

At the General Meeting held on 18 January 2016, the shareholders approved the Company change its status from propriety limited to a limited company and change its name to AdAlta Limited. The issued capital of the Company split on the basis of that every 1 share or option be split into 5.8168 shares or options at the General meeting held on 9 May 2016. Considerable work was undertaken to prepare a prospectus to raise a minimum of \$8,000,000 to a maximum of \$10,000,000 and to make an application to the ASX for admission to the official list.

During the year, the Company continued to develop its technology platform that produces unique compounds known as i-bodies, that mimic the shape of shark antibodies and engineers their key stability features into human proteins, for therapeutic intervention in disease.

Strategy

AdAlta Limited intends to develop its novel i-body platform with a focus on its lead candidate AD-114, a first-in class treatment for idiopathic pulmonary fibrosis (IPF) and other fibrotic diseases. AdAlta's lead drug candidate, AD-114, is undertaking manufacturing scale up to commence clinical trials for the treatment of IPF and other human fibrotic diseases, for which current therapies are sub-optimal and there is a high unmet medical need.

The Company's proprietary technology platform generates a new class of protein therapeutics known as i-bodies, which are expected to be used as drugs to treat a range of diseases.

The Company also plans to continue further drug discovery and development directed towards other drug targets and diseases using its i-body technology platform.

The increase in cash and cash equivalents, net assets, contributed equity and accumulated losses was largely the result of receipt of funding by way of convertible notes and the Research and Development tax incentive.

The Directors believe the Company is in a strong and stable financial position to expand and grow its current operations.

Significant changes in state of affairs

During the year, the Company changed its status from propriety limited company to a limited company and undertook a share split on the basis that 1 share or option split into 5.8618 shares or options.

Events after the reporting period

On 8 July 2016, the Company lodged a prospectus with ASIC for the offer of 32,000,000 and up to 40,000,000 ordinary fully paid shares at a price of \$0.25 per share to raise a minimum of \$8,000,000 and

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a maximum of \$10,000,000. On 12 August 2016, the Prospectus closed over-subscribed. The Company was admitted to the official list of the ASX on 22 August 2016.

On 12 August 2016, the Company's convertible notes and Series A Preference shares converted to ordinary shares.

On 22 August 2016, the Company received a Research and Development tax incentive refund of \$738,045 for the 2015/2016 financial year.

Otherwise, there has not been any matter or circumstance that has arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments, prospects and business strategies

AdAlta's strategy is to develop its lead i-body drug candidate, AD-114, to demonstrate safety and advance the lead to the clinic for treatment of fibrosis related diseases. Demonstration of the lead i-body drug candidate in the clinic is also expected to increase interest in wider applications of the i-body platform and its unique features of safety and efficacy.

AdAlta currently intends to license the lead candidate to a pharmaceutical or biotechnology company to generate up-front, milestone payments and licensing revenues.

The i-body platform provides an opportunity for the expansion of the pipeline of i-body drug candidates in multiple therapeutic areas.

The Company plans to maximise the benefits of its i-body platform and i-body libraries through partnerships, while retaining the ability to resource and focus on its own in-house discovery and development activities. Development of additional i-body drug candidates provides potential for additional revenue, including up-front, milestone payments and licensing payments.

Environmental issues

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

Remuneration report (audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of AdAlta Limited's key management personnel for the financial year ended 30 June 2016. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- key terms of employment contracts.

Key management personnel

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

Non-executive Directors

Paul MacLeman
James Williams
Liddy McCall
John Chiplin

Position

Chairman & Non-executive Director
Non-executive Director
Non-executive Director
Non-executive Director

Executive Directors

Samantha Cobb

Managing Director & CEO

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

Remuneration policy

The Board of Directors of the Company is currently responsible for determining and reviewing compensation arrangements for key management personnel. The Company has a Remuneration Committee, which consists of John Chiplin (Chair of Remuneration Committee), Paul MacLeman and Liddy McCall. The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Company.

Non-Executive Director remuneration

Non-executive Directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

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

Executive Director remuneration

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

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

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

The total remuneration of executives consists of the following:

- (a) salary – executives receive a fixed sum payable monthly in cash plus superannuation at 9.5% of salary;
- (b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the Board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances;
- (c) other benefits – executives may, if deemed appropriate by the Board, be provided with a fully expensed mobile phone and other forms of remuneration; and
- (d) performance bonus.

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

Relationship between the remuneration policy and Company performance

The Board considers that at this time, evaluation of the Company's financial performance using generally accepted measures such as profitability, total shareholder return or per Company comparison are not relevant as the Company is at an early stages of development trial which is continuing as outlined in the Directors' report.

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Remuneration of key management personnel

2016	Short-term employee benefits		Post-employment benefits	Share-based payment	Total
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
Non-executive Directors					
Paul MacLeman	30,000	-	-	-	30,000
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	20,000	-	-	-	20,000
Executive Directors					
Samantha Cobb	151,376	45,413	18,695	-	215,484
Total	201,376	45,413	18,695	-	265,484

2015	Short-term employee benefits		Post-employment benefits	Share-based payment	Total
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
Non-executive Directors					
Paul MacLeman	4,950	-	-	-	4,950
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	20,000	-	-	-	20,000
Marilyn Sleigh (resigned 31 July 2014)	1,833	-	-	-	1,833
John Ballard (resigned 13 May 2015)	26,250	-	-	-	26,250
Executive Directors					
Samantha Cobb	151,376	27,123	16,957	-	195,456
Total	204,409	27,123	16,957	-	248,489

No key management personnel appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

Share options issued to key management personnel as remuneration during the year are set out in the following table (2015: 121,599*). 40,200* share options were exercised by key management personnel during the year (2015: nil).

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2016	Balance at 1 July No.	Granted as compensation No.	Exercised	Net other change No.	Balance at 30 June No.
Samantha Cobb	150,099	-	(15,200)	655,852	790,751
Paul MacLeman	-	75,000	(12,500)	303,863	366,363
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	-	55,000	(12,500)	206,627	249,127
Total	150,099	130,000	(40,200)	1,166,342	1,406,241

*Pre-split amounts. **On 9 May 2016 the options were split on the basis that every 1 option be split into 5.8618 options.

The terms and conditions of each grant of options affecting remuneration in the current or future reporting period are:

Grant date	Vesting and exercise date	Expiry date	Exercise price *	Value at grant date	Performance achieved	% vested
11 Nov 2015	11 Nov 2015	1 Nov 2018	\$1.00	\$0.00	N/A	100%
11 Nov 2015	11 Nov 2016	1 Nov 2019	\$1.00	\$0.00	N/A	0%
11 Nov 2015	Date of transaction	1 Nov 2018	\$1.00	\$0.00	Yes	0%

*The exercise price of \$1.00 is reduced to \$0.0002 if 50% of the options are exercised within 3 months of vesting with the exercise price of the remaining 50% of those options being \$0.09 if exercised within 12 months of vesting otherwise the exercise price is \$0.17 following the split of issued capital.

The value of the options at their date of grant has been taken as zero because, at the time of grant, the company was an unlisted entity and the equity structure operated such that any returns were paid to convertible note holders with any residual being paid to holders of Series A Preference shares with any final amount being available to ordinary shareholders. Based on the Company's net assets at the date of grant there was no value attributable to ordinary shares.

Options have been granted to the Managing Director on a case by case basis since 2011 based on the achievement of milestones which varied for the relevant year depending on the stage of the Company's research projects and the achievement of funding. The milestones selected were considered relevant to enable the Company to progress its research projects and the assessment as to their achievement was performed by the Board.

Options granted to the non-executive Directors related to their efforts in securing additional funding for the Company. A performance condition is attached to a portion of the options issued being that the options can only be exercised in the event of a transaction or exit of the Company.

All other options are subject to time based vesting conditions with no specific performance condition attached.

Key terms of employment contracts

Samantha Cobb is employed in the position of Managing Director/CEO of the Company on the following material terms:

1. Effective 12 August 2016 (completion of the capital raising), a salary of \$225,000 plus superannuation.
2. A short term cash incentive of up to 30% of the annual salary subject to achieving key performance indicators as set by the Board from time to time.
3. Either party is entitled to terminate the employment contract by giving 3 months' notice.
4. After termination of employment, Ms Cobb is subject to a non-compete condition within Australia for a period of 3 months, non-solicitation of employees and customers for a period of 6 months.

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Set out below are the remuneration arrangements with Non-Executive Directors Effective 12 August 2016 (completion of the capital raising):

Name	Position	Annual Salary (inclusive of superannuation)
Paul MacLeman	Non-Executive Chairman	\$65,000
James Williams	Non-Executive Director	\$45,000
Elizabeth McCall	Non-Executive Director	\$45,000
John Chiplin	Non-Executive Director	\$45,000

The Company has entered into consulting agreements with both Paul MacLeman (Chairman) and John Chiplin as independent Directors of the Board. Under the terms of these consulting agreement, the agreements can be terminated by either party by giving one months' notice. Further, continuation of appointment is subject to re-election at a forthcoming AGM. The Directors fees for Paul MacLeman are paid to Dalroar Pty Ltd, ATF MacLeman Investment Trust, which is his personal company.

Both Elizabeth McCall and James Williams are currently appointed as nominated Directors of Yuuwa Capital LP. Their annual fixed fees of \$45,000 including superannuation will be paid to Yuuwa Capital LP.

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

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

On 29 January 2016, Mr Ian Hobson was appointed as company secretary. His services are provided through Churchill Services Pty Ltd ("Churchill Services"). Churchill Services is paid a fee of \$200/Hr for the provision of company secretarial services.

Key management personnel equity holdings

Fully paid ordinary shares of AdAlta Limited

2016	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change*	Balance on Resignation	Balance at 30 June
	No.	No.	No.	No.		No.
Samantha Cobb	96,215	-	15,200	541,677	-	653,092
Paul MacLeman	-	-	12,500	60,773	-	73,273
James Williams	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-
John Chiplin	-	-	12,500	60,773	-	73,723

*The net other change relates to the share and option split at 5.8618 as approved by shareholders at a meeting on 9 May 2016.

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2015	Balance at 1 July	Granted as compensati on No.	Received on exercise of options No.	Net other change No.	Balance on Resignation	Balance at 30 June No.
Samantha Cobb	96,215	-	-	-	-	96,215
Paul MacLeman	-	-	-	-	-	-
James Williams	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-
John Chiplin	-	-	-	-	-	-
Merilyn Sleigh (resigned 31 July 2014)	-	-	-	-	-	-
John Ballard (resigned 13 May 2015)	105,994	-	-	-	(105,994)	-

Share options of AdAlta Limited

2016	Balance at 1 July	Granted as compen -sation No.	Exercised No.	Net other change* No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercise -able No.	Options vested during year No.
Samantha Cobb	150,099	-	(15,200)	655,852	790,751	256,160	256,160	178,798
Paul MacLeman	-	75,000	(12,500)	303,863	366,363	73,273	73,273	73,273
James Williams	-	-	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-	-	-
John Chiplin	-	55,000	(12,500)	206,627	249,127	73,273	73,273	73,273

2015	Balance at 1 July	Granted as compen -sation No.	Expired No.	Net other change* No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercise -able No.	Options vested during year No.
Samantha Cobb	40,500	121,599	(12,000)	-	150,099	28,500	28,500	-
Paul MacLeman	-	-	-	-	-	-	-	-
James Williams	-	-	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-	-	-
John Chiplin	-	-	-	-	-	-	-	-
Merilyn Sleigh (resigned 31 July 2014)	-	-	-	-	-	-	-	-
John Ballard (resigned 13 May 2015)	-	-	-	-	-	-	-	-

*The net other change relates to the share and option split at 5.8618 as approved by shareholders at a meeting on 9 May 2016

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Series A Preference shares of AdAlta Limited

2016	Balance at 1 July No.	Granted as compensation No.	Net other change No.	Balance on Resignation	Balance at 30 June No.
Samantha Cobb	-	-	-	-	-
Paul MacLeman	-	-	-	-	-
James Williams	2,394,454*	-	-	-	2,394,454*
Liddy McCall	2,394,454*	-	-	-	2,394,454*
John Chiplin	-	-	-	-	-

*Held by Yuuwa capital LP (managed by its general partner Yuuwa Management LP and its general partner Yuuwa Capital Management Pty Ltd of which James Williams and Liddy McCall are Directors and have an indirect shareholding)

2015	Balance at 1 July No.	Granted as compensation No.	Net other change No.	Balance on Resignation	Balance at 30 June No.
Samantha Cobb	-	-	-	-	-
Paul MacLeman	-	-	-	-	-
James Williams	2,394,454*	-	-	-	2,394,454*
Liddy McCall	2,394,454*	-	-	-	2,394,454*
John Chiplin	-	-	-	-	-
Merilyn Sleigh (resigned 31 July 2014)	25,000	-	-	(25,000)	-
John Ballard (resigned 13 May 2015)	41,250	-	-	(41,250)	-

*Held by Yuuwa capital LP (managed by its general partner Yuuwa Management LP and its general partner Yuuwa Capital Management Pty Ltd of which James Williams and Liddy McCall are Directors and have an indirect shareholding)

Convertible notes of AdAlta Limited

2016	Balance at 1 July No.	Subscriptions /conversions No.	Net other change No.	Balance on Resignation	Balance at 30 June No.
Samantha Cobb	-	-	-	-	-
Paul MacLeman	-	-	-	-	-
James Williams	1,000,000*	1,500,000*	-	-	2,500,000*
Liddy McCall	1,000,000*	1,500,000*	-	-	2,500,000*
John Chiplin	25,000	25,000	-	-	50,000

*Held by Yuuwa capital LP (managed by its general partner Yuuwa Management LP and its general partner Yuuwa Capital Management Pty Ltd of which James Williams and Liddy McCall are Directors and have an indirect shareholding)

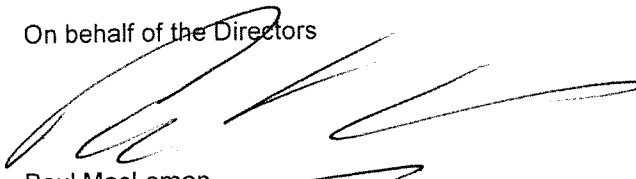
ADALTA LTD
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2015	Balance at 1 July No.	Subscriptions /conversions No.	Net other change No.	Balance on Resignation	Balance at 30 June No.
Samantha Cobb	-	-	-	-	-
Paul MacLeman	-	-	-	-	-
James Williams	-	1,000,000*	-	-	1,000,000*
Liddy McCall	-	1,000,000*	-	-	1,000,000*
John Chiplin	-	25,000	-	-	25,000
Meryllyn Sleight (resigned 31 July 2014)	-	-	-	-	-
John Ballard (resigned 13 May 2015)	-	-	-	-	-

*Held by Yuuwa capital LP (managed by its general partner Yuuwa Management LP and its general partner Yuuwa Capital Management Pty Ltd of which James Williams and Liddy McCall are Directors and have an indirect shareholding)

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

On behalf of the Directors



Paul MacLeman

Chairman

Melbourne, 19 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2016, 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.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 19 September 2016

CORPORATE GOVERNANCE

The Board of Directors of AdAlta Limited is responsible for the corporate governance of the Company and guides and monitors the business and affairs of the Company on behalf of its shareholders.

To ensure the Board is well equipped to discharge its responsibilities it has guidelines for the nomination and selection of Directors and for the operation of the Board.

The key charters and policies associated with AdAlta's corporate governance practices are:

- Constitution
- Board Charter
- Code of Conduct
- Securities Trading Policy
- Continuous Disclosure Policy
- Shareholders Communication Policy
- Risk Management Policy
- Diversity Policy
- Audit & Risk Committee Charter
- Remuneration & Nomination Committee Charter

The Board has also reviewed its compliance with the ASX Corporate Governance Principles and Recommendations (3rd Edition).

The Board has also reviewed its skill matrix setting out the mix of skills and diversity that the Board currently has.

In accordance with Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly the information detailed above about the Company's Corporate Governance practices is set out on the Investor page of the Company's website at www.adalta.com.au

ADALTA LTD
ABN 92 120 332 925

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$ Restated
Revenue			
Interest Received		8,902	12,828
Other Revenue	2	<u>738,046</u>	<u>887,553</u>
		<u>746,948</u>	<u>900,381</u>
Expenses			
Cost of services		(1,413,975)	(1,712,080)
Depreciation and amortisation expenses	7	(684)	(723)
Employee benefit expense		(224,620)	(203,007)
Travel expense		(57,127)	(47,728)
Board fees		(50,000)	(52,032)
Patent and legal costs		(44,556)	(83,837)
Other expenses		<u>(119,042)</u>	<u>(108,842)</u>
		<u>(1,910,004)</u>	<u>(2,208,249)</u>
Profit (loss) before income tax		(1,163,056)	(1,307,868)
Tax expense	3	<u>-</u>	<u>-</u>
Profit (loss) for the year		<u>(1,163,056)</u>	<u>(1,307,868)</u>
Earnings per Share			
Basic and diluted loss per share (cents)	4	(32.59)	(63.33)

The accompanying notes form part of these financial statements.

ADALTA LTD
ABN 92 120 332 925

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$ Restated
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	485,558	34,864
Trade and other receivables	6	897,247	931,241
TOTAL CURRENT ASSETS		<u>1,382,805</u>	<u>966,105</u>
NON-CURRENT ASSETS			
Plant and equipment	7	282	966
TOTAL NON-CURRENT ASSETS		<u>282</u>	<u>966</u>
TOTAL ASSETS		<u><u>1,383,087</u></u>	<u><u>967,071</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	178,797	232,649
Provisions	9	36,402	28,532
TOTAL CURRENT LIABILITIES		<u>215,199</u>	<u>261,181</u>
TOTAL LIABILITIES		<u>215,199</u>	<u>261,181</u>
NET ASSETS		<u><u>1,167,888</u></u>	<u><u>705,890</u></u>
EQUITY			
Issued capital	10	8,150,331	6,525,277
Reserves	11	3,908	3,908
Retained earnings (accumulated losses)		<u>(6,986,351)</u>	<u>(5,823,295)</u>
TOTAL EQUITY		<u><u>1,167,888</u></u>	<u><u>705,890</u></u>

The accompanying notes form part of these financial statements.

ADALTA LTD
ABN 92 120 332 925

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Ordinary shares	Share Capital Series A Preference Shares	Convertible Notes	Retained Earnings	Share based payment reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014 (Restated)	2,490,279	2,999,998	1,035,000	(4,515,427)	3,908	2,013,758
Comprehensive income						
Profit (loss) for the year	-	-	-	(1,307,868)	-	(1,307,868)
Total comprehensive income for the year attributable to the member of the company	-	-	-	(1,307,868)	-	(1,307,868)
Balance at 30 June 2015	2,490,279	2,999,998	1,035,000	(5,823,295)	3,908	705,890
Balance at 1 July 2015	2,490,279	2,999,998	1,035,000	(5,823,295)	3,908	705,890
Comprehensive income						
Profit (loss) for the year	-	-	-	(1,163,056)	-	(1,163,056)
Total comprehensive income for the year attributable to the member of the company	-	-	-	(1,163,056)	-	(1,163,056)
Transactions with the owner, in capacity as owner and other transfers						
Shares issued during the year	54	-	-	-	-	54
Convertible notes converted	-	-	1,625,000	-	-	1,625,000
Total transactions with the owner and other transfers	54	-	1,625,000	-	-	1,625,054
Balance at 30 June 2016	2,490,333	2,999,998	2,660,000	(6,986,351)	3,908	1,167,888

The accompanying notes form part of these financial statements.

ADALTA LTD
ABN 92 120 332 925

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		-	23,158
Payments to suppliers and employees		(2,061,656)	(2,224,366)
R & D tax incentive		878,394	805,942
Interest received		8,902	12,828
Net cash provided by (used in) operating activities	19 (b)	<u>(1,174,360)</u>	<u>(1,382,438)</u>
Cash flows from financing activities			
Proceeds from convertible notes		1,625,000	1,035,000
Proceeds from share capital		54	-
Net cash provided by financing activities		<u>1,625,054</u>	<u>1,035,000</u>
Net increase (decrease) in cash held		450,694	(347,438)
Cash and cash equivalents at beginning of financial year		<u>34,864</u>	<u>382,302</u>
Cash and cash equivalents at end of financial year	19 (a)	<u><u>485,558</u></u>	<u><u>34,864</u></u>

The accompanying notes form part of these financial statements.

ADALTA LTD
ABN 92 120 332 925

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

The financial statements cover AdAlta Ltd as an individual entity. AdAlta Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 19 September 2016 by the Directors of the company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

(b) Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Company incurred losses of \$1,163,056 (2015: \$1,307,868) and the Company had net cash outflows from operating activities of \$1,174,360 (2015: \$1,382,438). As at balance date, the Company had net current assets of \$1,167,888 (2015: \$705,890).

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after consideration of the following.

On 8 July 2016, the Company lodged a prospectus with ASIC for the offer of 32,000,000 and up to 40,000,000 ordinary fully paid shares at a price of \$0.25 per share to raise a minimum of \$8,000,000 and a maximum of \$10,000,000.

On 12 August 2016, the Prospectus closed over-subscribed and the Company was admitted to the official list of the ASX on 22 August 2016.

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Income tax (continued)

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(d) Fair value measurement

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

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

(e) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Plant and Equipment (continued)

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset:	Depreciation Rate
Computer software	13.17%
Office equipment	17.31%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transactions costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (continued)

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (continued)

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

(g) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(l) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from the Research and Development tax incentive is recognised on an accrual basis in the year to which the incentive relates.

All revenue is stated net of the amount of goods and services tax.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) 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 Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) Comparative Figures

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

(p) Critical Accounting Estimates and Judgements

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

Key Estimates

(i) Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors understanding thereof. At the current stage of the Company's development and its current environmental impact the Directors believe such treatment is reasonable and appropriate.

(ii) Taxation

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

ADALTA LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) New and Amended Accounting Policies Adopted

Change in accounting policy

During the 2015/16 financial year, the Company changed its accounting policy in relation to revenue recognition in order to reflect more appropriately the way in which economic benefits flow to the Company as a result of research and development activities performed during the year. Comparative amounts in the statement of profit or loss and other comprehensive income and statement of financial position have been restated for consistency.

The following tables summarises the impact of the above changes.

	2015			2014		
	Previously Reported	Change	Restated	Previously Reported	Change	Restated
Cash and cash equivalents	34,864	-	34,864	382,302	-	382,302
Trade and other receivables	52,847	878,395	931,242	75,772	805,942	881,714
Plant and equipment	966	-	966	1,689	-	1,689
Total liabilities	(261,181)	-	(261,181)	(286,947)	-	(286,947)
Net assets / (liabilities)	(172,504)	878,395	705,891	172,816	805,942	978,758
Issued capital	(5,490,277)	-	(5,490,277)	(5,490,277)	-	(5,490,277)
Share based payment reserve	(3,908)	-	(3,908)	(3,908)	-	(3,908)
Convertible notes	(1,035,000)	-	(1,035,000)	-	-	-
Accumulated losses	6,701,689	(878,395)	5,823,294	5,321,369	(805,942)	4,515,427
	172,504	(878,395)	(705,891)	(172,816)	(805,942)	(978,758)
Interest received	(12,828)	-	(12,828)	(18,667)	-	(18,667)
R & D incentive	(805,942)	(72,453)	(878,395)	(575,192)	(230,750)	(805,942)
Other revenue	(9,158)	-	(9,158)	(150,877)	-	(150,877)
Expenses	2,208,249	-	2,208,249	1,993,568	-	1,993,568
Profit / (loss) before tax	1,380,321	(72,453)	1,307,868	1,248,832	(230,750)	1,018,082

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

The Company does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Standard / Interpretation	Application date of standard	Expected to be initially applied in the financial year ended
AASB9 'Financial Instruments'	1 January 2018	30 June 2019
AASB14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017
AASB 2014-3 'Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards - Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
AASB 1057 'Application of Australian Accounting Standards'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2014-2016 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2015-9 'Amendments to Australian Accounting Standards - Scope and Application Paragraphs'	1 January 2016	30 June 2017
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

ADALTA LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Operating Segments

The Company only operates in one segment.

(t) Earnings per Share

Basic earnings per shares

Basic earnings per share is calculated by dividing the profit attributable to the owners of AdAlta Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(u) Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to fund research and development project activities.

The Company monitors capital on the basis of working capital requirements and during the year, the Company's strategy, which was unchanged from 2015, was to maintain a current account balance sufficient to meet the Company's day to day expenses with the balance held in accounts with higher interest rates.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
2. REVENUE AND OTHER INCOME		
Contract Expense	-	(374)
R & D Offset	738,046	878,395
Grant Income	-	9,532
Total revenue	<u>738,046</u>	<u>887,553</u>
3. TAX EXPENSE		
(a) Tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	<u>-</u>	<u>-</u>
(b) Tax reconciliation		
Profit (loss) before income tax expense	<u>(1,163,056)</u>	<u>(1,307,868)</u>
Prima facie tax payable at 28.5% (2015: 30%)	(331,471)	(392,360)
Non deductible expenses	467,429	587,426
Non assessable income	(250,342)	(241,782)
Temporary differences	(26,713)	(21,456)
Benefits of tax losses not brought into account	<u>141,097</u>	<u>68,172</u>
	<u>-</u>	<u>-</u>
(c) The Company has revenue losses of approximately \$430,000 for which no deferred tax asset has been recognised.		
(d) The Company has no franking credits currently available for future offset.		
4. EARNINGS PER SHARE		
(a) Loss used to calculate basic EPS	(1,163,056)	(1,307,868)
	Number of shares	Number of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	3,574,154	2,065,000
The 2,144,423 options (2015: 282,224) are not considered to be dilutive.		
5. CASH AND CASH EQUIVALENTS		
Cheque account	8,632	11,841
Cash reverse account	455,822	2,242
Savings - bonus	21,104	20,781
	<u>485,558</u>	<u>34,864</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
6. TRADE AND OTHER RECEIVABLES		
CURRENT		
Sundry receivable - R&D tax offset	738,046	878,394
Trade receivables	2,657	-
Good and services tax	21,830	46,547
Prepaid expenses	57,894	6,300
Prepayments - IPO Costs	76,820	-
	897,247	931,241
7. PLANT AND EQUIPMENT		
Computer software	1,241	1,241
Less accumulated depreciation	(1,241)	(1,241)
	-	-
Office equipment	3,952	3,952
Less accumulated depreciation	(3,670)	(2,986)
	282	966
Total plant and equipment	282	966
(a) Movements in carrying amounts		
Movements in the carrying amounts for each class of plant and equipment.		
Office Equipment		
Balance at beginning of year	966	1,689
Additions	-	-
Depreciation expense	(684)	(723)
Balance at end of year	282	966
8. TRADE AND OTHER PAYABLES		
CURRENT		
Accrued expenses	145,241	229,002
Trade creditors	29,940	-
PAYG and super payable	3,616	3,647
	178,797	232,649
9. PROVISIONS		
CURRENT		
Provision for annual leave	11,539	6,438
Provision for long service leave	24,863	22,094
	36,402	28,532

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
10. ISSUED CAPITAL		
Fully paid ordinary shares	2,490,333	2,490,279
Fully paid Series A Preference shares	2,999,998	2,999,998
Fully paid convertible notes	2,660,000	1,035,000
	8,150,331	6,525,277

Shares have no par value.

(a) Ordinary Shares

	No.	No.
At beginning of reporting period	2,065,000	2,065,000
Issued on exercise of options	53,500	-
Issued as part of share split	10,299,723	-
At the end of the reporting period	12,418,223	2,065,000

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Incremental costs directly attributable to the issue of the new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(b) Series A Preference Shares

	No.	No.
At beginning of reporting period	2,999,998	2,999,998
At the end of the reporting period	2,999,998	2,999,998

All Preference Shares will automatically convert into Ordinary Shares. The conversion ratio for each Preference Share will be adjusted as provided in the relevant subscription agreement and for the Share Split. Accordingly, 2,999,998 Preference Shares will convert to 21,594,477 Ordinary Shares.

Holders of a Series A Preference Shares are entitled to repayment of funds in priority to the repayment of capital to holders of Ordinary Shares.

Each Series A Preference Share carries the right to vote equivalent to the number of ordinary shares into which it would convert at the time of the vote.

(c) Convertible Notes

	2016	2015
	No.	No.
At beginning of reporting period	1,035,000	-
Mezzanine Finance	1,625,000	1,035,000
At the end of the reporting period	2,660,000	1,035,000

All Convertible Notes (which have all been issued at a price of \$1.00) will convert to 25,987,316 Ordinary Shares (based on the terms of the relevant Convertible Note deed and the effect of the Share Split).

Holders of Convertible Notes do not have the right to vote at shareholders' meetings.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

10 ISSUED CAPITAL (Continued)

(d) Options on issue

	Number of Options
Expiry Date	
27 September 2016*	252,057
1 July 2018*	145,976
21 September 2018*	20,569
1 November 2018*	381,018
1 July 2019*	291,953
1 November 2019*	818,378
1 November 2020**	234,472
	2,144,423

50% of 1,909,951 Options (designated with *) have an exercise price of \$0.0002 if exercised within 3 months of vesting, and with the exercise price of the remaining 50% of those Options being \$0.09 if exercised within 12 months of vesting. Otherwise the exercise price of those Options is \$0.17.

The remaining 234,472 Options (designated with **) have an exercise price of \$0.17 per Option.

	2016	2015
11. RESERVES		
Share Based Payment Reserve		
At beginning of reporting period	3,908	3,908
Issued during the year	-	-
At the end of the reporting period	3,908	3,908

The Company has established an Employee Share Option Plan where employees, Directors and Officers of the Company are issued with options over ordinary shares of AdAlta Limited.

The options, issued for no consideration, are in general exercisable at a fixed price at commencement date, unless otherwise stated and ending on the expiry date and are subject to the achievement of certain milestones, unless otherwise stated.

There are currently seven employees, Directors, contractors and officers eligible for this scheme.

On 10 May 2016 the Board approved changes to the ESOP in alignment with a publicly listed company, capping the ESOP at 5% of capital issued.

The Options cannot be transferred and will not be quoted on the ASX.

During the year no options expired or lapsed and 137,160 options were granted under the Employee Options Plan.

Details of options as at the beginning and end of the reporting date and movements during the year are set out below:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

11 RESERVES (Continued)

Grant Date	Expiry Date	Exercise Price	No. at the start of year	Granted in the year	Exercised	Change on Split	No. at the end of year
27-Jun-13	27-Sep-16	\$0.17 *	43,000	-	-	209,057	252,057
27-Jun-15	01-Jul-18	\$0.17 *	49,806	-	(24,903)	121,073	145,976
19-Aug-15	21-Sep-18	\$0.17 *	-	7,160	(3,597)	17,006	20,569
10-Dec-14	01-Jul-19	\$0.17 *	49,806	-	-	242,147	291,953
10-Dec-14	01-Nov-19	\$0.17 *	99,612	-	-	484,294	583,906
11-Nov-15	01-Nov-18	\$0.17 *	-	50,000	(25,000)	121,546	146,546
11-Nov-15	01-Nov-19	\$0.17 *	-	40,000	-	194,472	234,472
11-Nov-15	01-Nov-18	\$0.17 *	-	40,000	-	194,472	234,472
10-Dec-14	01-Nov-20	\$0.17	40,000	-	-	194,472	234,472
			282,224	137,160	(53,500)	1,778,539	2,144,423

Weighted average exercise price	\$1.00	\$0.17 *	\$0.001	N/A	\$0.17 *
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50% of options designated with * have an exercise price of \$0.0002 if exercised within 3 months of vesting with the exercise price of the remaining 50% being \$0.09 if exercised within 12 months of vesting otherwise the exercise price is \$0.17.

The weighted average remaining contractual life of options on issue at 30 June 2016 is 1,007 days

12. RELATED PARTY TRANSACTIONS

Related Parties

The Company's main related parties are as follows:

John Chiplin	Non Executive Director (<i>appointed 16 May 2014</i>)
Elizabeth McCall	Non Executive Director (<i>appointed 16 December 2010</i>)
James Williams	Non Executive Director (<i>appointed 16 December 2010</i>)
Samantha Cobb	Managing Director & CEO (<i>appointed 29 June 2007</i>)
Paul MacLeman	Chairman & Non-Executive Director (<i>appointed 16 April 2015</i>)
Ian Hobson	Secretary (<i>appointed 29 January 2016</i>)

The Company had no other key management personnel during the period.

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, is considered key management personnel.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

12 RELATED PARTY TRANSACTIONS (continued)

Remuneration of key management personnel

	Short-term employee benefits		Post-employment benefits	Share-based payment	Total
	Salary & Fees	Other	Superannuation	Options	
	\$	\$	\$	\$	\$
2016					
Non-executive Directors					
Paul MacLeman	30,000	-	-	-	30,000
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	20,000	-	-	-	20,000
Executive Directors					
Samantha Cobb	151,376	45,413	18,695	-	215,484
Total	201,376	45,413	18,695	-	265,484

2015					
Non-executive Directors					
Paul MacLeman	4,950	-	-	-	4,950
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	20,000	-	-	-	20,000
Merilyn Sleigh (resigned 31 July 2014)	1,833	-	-	-	1,833
John Ballard (resigned 13 May 2015)	26,250	-	-	-	26,250
Executive Directors					
Samantha Cobb	151,376	27,123	16,957	-	195,456
Total	204,409	27,123	16,957	-	248,489

Share options issued to key management personnel as remuneration:

	Balance at	Granted as	Exercised	Net other	Balance at
2016					
Non-executive Directors					
Paul MacLeman	-	75,000	(12,500)	303,863	366,363
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	-	55,000	(12,500)	206,627	249,127
Executive Directors					
Samantha Cobb	150,099	-	(15,200)	655,852	790,751
Total	150,099	130,000	(40,200)	1,166,342	1,406,241

No Share options were exercised by key management personnel during the year 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

14. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2016, the Company lodged a prospectus with ASIC for the offer of 32,000,000 and up to 40,000,000 ordinary fully paid shares at a price of \$0.25 per share to raise a minimum of \$8,000,000 and a maximum of \$10,000,000. On 12 August 2016, the Prospectus closed over-subscribed. The Company was admitted to the official list of the ASX on 22 August 2016.

On 11 August 2016, the Company's convertible notes and Series A Preference shares converted to ordinary shares.

On 22 August 2016, the Company received a Research and Development tax incentive refund of \$738,045 for the 2015/2016 financial year.

Otherwise, there has not been any matter or circumstance that has arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

15. COMMITMENTS FOR EXPENDITURE

(a) Lease commitments

The Company has no lease commitments.

(b) Capital commitments

The Company has no capital commitments.

(c) Other commitments

The Company is currently not contracted to significant expenditure.

16. FINANCIAL RISK MANAGEMENT

The Company does not have any complex financial instruments or derivatives.

(a) Terms, conditions and accounting policies

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

16 FINANCIAL RISK MANAGEMENT (Continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>i) Financial assets</i>			
Cheque account	5	Carried at face value	The cheque account is at call with an interest rate of 0.00% (2015: 0.00%)
Cash reserve	5	Carried at face value	The cash reserve account is at call with an interest rate of 1.05% (2015: 0.01%)
Savings	5	Carried at face value	The savings bonus account is at call with an interest rate of 1.54% (2015: 1.69%)
R & D tax incentive	6	Recognised on an accrual basis	The incentive is claimed annually under an Australia Taxation Office mechanism which designed to promote research and development
Trade receivables	6	Recognised on an accrual basis	Normal invoice terms are 14-30 days
Goods & services tax paid	6	Recognised on an accrual basis	Business activity statements are lodged on a quarterly basis
<i>ii) Financial liabilities</i>			
Trade and other creditors	8	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company	The majority of costs are invoiced on a quarterly basis and hence liabilities accrue for up to 90 days. Trade liabilities are normally settled on 14-30 day terms
<i>iii) Equity</i>			
Ordinary shares	10	Ordinary share capital is recognised at the fair value of the consideration received by the company	Details of the shares issued and the terms and conditions of the options outstanding over ordinary shares at balance date are set out in Note 10

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

16 FINANCIAL RISK MANAGEMENT (Continued)

Series A preference shares	10	Series A Preference share capital is recognised at the fair value of the consideration received by the company	Details of the Series A Preference shares issued and the terms and conditions at balance date are set out in Note 10
Convertible notes	10	Convertible notes are recognised at the fair value of the consideration received by the company	Details of the convertible notes issued and the terms and conditions at balance date are set out in Note 10

(b) The carrying value of financial assets and liabilities approximates their fair value.

(c) Financial risk management

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

(i) Market risk

The Company is not exposed to either equity securities price risk or commodity price risk.

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

(ii) Credit Risk

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

(iii) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and short term assets to enable the Company to settle its liabilities.

With no long term debt or contractual commitments the Company's exposure to liquidity risk is minimal.

(iv) Cash flow and fair value interest rate risk

As the Company has no interest-bearing liabilities, cash out flows are not exposed to changes in market interest rates.

The Company maintains a current cheque account balance sufficient to meet day to day expenses with the balance of cash held in accounts designed to maximise interest income.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
17. DIVIDENDS		
No dividends were paid or declared since the start of the financial year and no recommendation for payment of dividends has been made.		
18. AUDITORS REMUNERATION		
Audit services		
Auditors of the Company		
Butler Settineri (Audit) Pty Ltd	16,434	5,400
	<u>16,434</u>	<u>5,400</u>
Other services		
Butler Settineri (Audit) Pty Ltd	12,500	-
Related practice entity	7,500	-
	<u>20,000</u>	<u>-</u>
	<u>20,000</u>	<u>-</u>
19. CASH FLOW INFORMATION		
(a) Reconciliation of Cash		
Cash at the end of financial year as included in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cheque Account	8,632	11,841
Cash reserve account	455,823	2,242
Savings - bonus	21,103	20,781
	<u>485,558</u>	<u>34,864</u>
	<u>485,558</u>	<u>34,864</u>
(b) Reconciliation of cash flow from operations with profit after income tax		
Loss attributable to members	(1,163,056)	(1,307,868)
Non-cash flows in profit:		
Depreciation	684	723
(Increase) / decrease in receivables	33,994	(49,528)
Increase / (decrease) in payables	(53,852)	(31,690)
Increase / (decrease) in provisions	7,870	5,925
	<u>(1,174,360)</u>	<u>(1,382,438)</u>
Net cash provided by (used in) operating activities	<u>(1,174,360)</u>	<u>(1,382,438)</u>

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DIRECTORS' DECLARATION

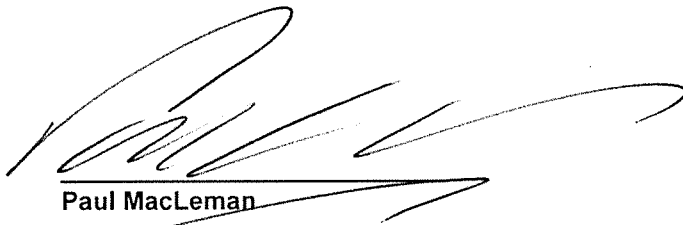
In accordance with a resolution of the Directors of AdAlta Ltd, the Directors of the Company declare that:

1. The financial statements and notes as set out on pages 16 to 39 presents fairly the Company's financial position as at 30 June 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards; and
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001; and

The declaration is made in accordance with a resolutions of the Board of Directors pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors:

Director



Paul MacLeman

Dated

19 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADALTA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of AdAlta Limited (the "Company") which comprises the statement of financial position as at 30 June 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report which 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report which gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 13 of the directors' report for the year ended 30 June 2016.

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.

Auditor's Opinion

In our opinion the Remuneration Report of AdAlta Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 19 September 2016

ADALTA LTD
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SHAREHOLDER INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 8 September 2016.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Number of holders	Number of units	% Issued Share Capital
1 - 1,000	1	1	-
1,001 - 5,000	21	64,929	0.06%
5,001 - 10,000	88	749,803	0.75%
10,001 - 100,000	257	9,545,856	9.55%
100,001 and over	62	89,639,427	89.64%
	429	100,000,016	100.00%

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

3

(b) Voting rights

Each fully paid ordinary share carries voting rights of one vote per share.

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

Position	Holder Name	Holding	% IC
1	YUUWA CAPITAL LP	54,059,848	54.06%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,592,730	8.59%
3	CITYCASTLE PTY LTD	5,311,856	5.31%
4	LA TROBE UNIVERSITY	3,041,330	3.04%
5	MR ROBIN ARTHUR BEAUMONT & MS HELEN ELAINE SHINGLER	1,838,559	1.84%
6	NATIONAL NOMINEES LIMITED	1,600,000	1.60%
7	DR FRANCIS JOHN BALLARD & DR LEANNA CHRISTINE READ	935,239	0.94%
8	QUTBLUEBOX PTY LTD	898,116	0.90%
9	CS FOURTH NOMINEES PTY LIMITED	865,235	0.87%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	725,271	0.73%
11	CSIRO	614,621	0.61%
12	JONTRA HOLDINGS PTY LTD <THE J D MACTAGGART S/F A/C>	608,828	0.61%
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	600,000	0.60%
14	SAMANTHA COBB	480,235	0.48%
15	JOHN CHIPLIN	361,756	0.36%
16	MR MATTHEW TURNER	320,100	0.32%
17	MR IAIN ROSS	320,000	0.32%
18	JOHN ALUN SIEBERT	319,900	0.32%
19	VEDDEREDDIE PTY LIMITED <QUIDDITY SF A/C>	298,509	0.30%
20	DRACOSERPENS INVESTMENTS PTY LTD	284,911	0.28%
	Total	82,077,044	82.08%
	Total Issued Capital	100,000,016	100.00%

ADALTA LTD
ABN 92 120 332 925

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Position	Shareholder	Number of Shares	% IC
1	YUUWA CAPITAL LP	54,059,848	54.06%
2	PLATINUM INVESTMENT MANAGEMENT LIMITED (HELD BY HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED)	8,000,000	8.00%
3	CITYCASTLE PTY LTD	5,311,856	5.31%

(d) Unquoted equity securities:

Number	Number of Holders	+Class	Escrow Period	Holders of more than 20%
252,057	2	Unlisted options exercisable at \$0.17* expiring 27/9/2016	22/08/2018	Samantha Cobb (167,061) Michael Foley (84,996)
145,976	2	Unlisted options exercisable at \$0.17* expiring 1/7/2018	22/08/2018	Samantha Cobb (89,099) Michael Foley (56,877)
291,953	2	Unlisted options exercisable at \$0.17* expiring 1/7/2019	22/08/2018	Samantha Cobb (178,199) Michael Foley (113,754)
818,378	4	Unlisted options exercisable at \$0.17* expiring 1/11/2019	22/08/2018	Samantha Cobb (356,392) Michael Foley (227,514)
234,472	3	Unlisted options exercisable at \$0.17* expiring 1/11/2020		David McGibney (117,236) Brian Richardson (58,618) John Westwick (58,618)
22,997,291	4	Ordinary Shares, subject to 24 months escrow	22/08/2018	Yuuwa Capital LLP (22,082,027)
576,967	1	Ordinary Shares, subject to 12 months escrow	22/08/2017	Citycastle Pty Ltd (576,967)
26,354,000	3	Ordinary Shares, subject to 6 months escrow	22/02/2017	Yuuwa Capital LLP (19,577,821)
20,569	1	Unlisted options exercisable at \$0.17* expiring 21/9/2018		Michael Foley (20,569)
146,546	2	Unlisted options exercisable at \$0.17* expiring 1/11/2018	22/08/2018	Paul MacLeman (73,273) John Chiplin (73,273)
234,472	2	Unlisted options exercisable at \$0.17* expiring 1/11/2018	22/08/2018	Paul MacLeman (146,545) John Chiplin (87,927)

*50% of 1,909,951 Options have an exercise price of \$0.0002 if exercised within 3 months of vesting, and with the exercise price of the remaining 50% of those options being \$0.09 if exercised within 12 months of vesting. Otherwise the exercise price is \$0.17.

(e) Use of funds

Since admission the Company has used its cash in a way consistent with its business objectives.