



AdAlta
next generation protein therapeutics

FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2017

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

CORPORATE DIRECTORY

DIRECTORS

Dr Paul MacLeman

Ms Samantha Cobb

Dr James Williams

Ms Elizabeth McCall

Dr John Chiplin

Dr Robert Peach (appointed 14 November 2016)

COMPANY SECRETARY

Cameron Jones (appointed 31 May 2017)

Ian Hobson (resigned 31 May 2017)

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BANKERS

Westpac Banking Corporation

SOLICITORS

Hive Legal Pty Ltd

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CHAIRMAN'S LETTER

It is my pleasure to open the financial year 2017 annual report looking back upon a year where AdAlta achieved some very significant milestones.

During the year we made great advances in demonstrating the strength of the AdAlta drug development platform. In addition, the successful listing of the Company on the ASX has brought additional capital, investors and financial market validation of the products and value creation that AdAlta is working to create.

In August of 2016, AdAlta executed a successful listing on the Australian Securities Exchange, closing the fund raising oversubscribed and hence with good aftermarket support. The quality of incoming investors was outstanding for a company of AdAlta's size and stage of development, with a mix of institutional, existing and new retail investors participating. The listing raised \$10 million, in addition to approximately \$2 million in interest and the 2016/2017 financial year Research and Development Tax incentive refund (received August 2017).

Our key area of focus – Idiopathic Pulmonary Fibrosis (IPF) – was chosen as it enabled AdAlta to fast track the commercial application of AD-114 in a patient population where there remains a very high unmet medical need. This need was reinforced during the year when the US Food and Drug Administration granted "Orphan Drug Designation" to AdAlta for AD-114.

The orphan drug pathway allows AdAlta to benefit from incentives for the development of AD-114 until it is given marketing approval. These measures apply to all stages of the drug development and include tax credits on clinical research; technical assistance with filing of the investigational new drug application as well as a reduction of the registration fees; and exclusivity of 7 years after the marketing approval is granted.

With 130,000 IPF sufferers in the US alone each year and 50% dying within 2-3 years, the race is on to find better treatment options for these patients. According to Fierce Biotech, the two currently marketed IPF drugs, Boehringer Ingelheim's Ofev (nintedanib) and Roche's Esbriet (pirfenidone), posted sales of around \$500 million and \$430 million respectively in the first half of this year, illustrating the large market opportunity despite the small patient numbers. While these marketed treatments have finally provided relief for some IPF patients, not all can tolerate the side effects nor respond to these available treatments and further treatment options are needed.

Later in this report, we set out the competitive landscape for IPF treatments in more detail. Unlike other disease areas, the drug development field for IPF treatments is small, and with drugs being partnered either during or at the end of Phase 1, companies developing drugs in the space can deliver short term returns to investors.

Several major de-risking activities occurred on the AD-114 program during the year to advance closer to human studies and our target of licensing after Phase 1 human trials.

Pre-clinical studies were conducted which determined safety and tolerability, distribution and elimination profiles for the AD-114 drug in multiple animal species, including non-human primates.

The range of indications for AD-114 against the G-Protein Coupled Receptor (GPCR) CXCR4 target was expanded through the year using a series of commercially accepted animal models. This work also involved studies that delivered improved understanding of the mode of action of the drug, an important component of drug development and approval. This important work increases the number of fibrotic disease areas where AD-114 could be applied as a new treatment.

With additional disease areas come more market opportunities and we have evidence that in addition to IPF, AD-114 could be applied across the areas of fibrotic liver disease, wet Acute Macular Degeneration (wet-AMD) of the eye and in fibrotic kidney disease. Each of these disease areas represent large markets in their own right, and this early work has been important to building a package of data that our potential pharmaceutical partner would need, to assess the broad applicability of AD-114 as a new therapy.

Manufacturing has advanced through the year, with strong relationships with FujiFilm Diosynth, Lonza and other manufacturing partners continuing to provide information and materials needed for both pre-clinical and laboratory proof of concept studies. Optimisation of these processes by our partners is ongoing.

In addition to the extensive work taking place with AD-114 in our core indications of Idiopathic Pulmonary Fibrosis and other fibrotic diseases dependent upon the CXCR4 target, we are also working to strengthen our i-body pipeline via exploration of new targets.

On behalf of the Board, sincere thanks to all investors who have supported us through our first year on market. We expect the upcoming year to continue to deliver strong growth for AdAlta and its investors.

A handwritten signature in black ink, appearing to be 'Paul', with a long horizontal line underneath it.

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 2017. 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:

Paul MacLeman MBA, BVSc, Grad Dip Tech, Grad Cert Eng, GAICD, MATT

Chairman and non-executive Director, joined the Board 16 April 2015. Paul has over 20 years' experience across the life sciences sector; encompassing technical, commercial and financial areas. With a career-spanning veterinary practice, pharmaceuticals, biotechnology, diagnostics and finance, Paul has expertise 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 has previously served as CEO of several VC funded, ASX, and TSX listed companies. Paul is also a current a director of CMAX Clinical Research Pty Limited, a clinical services business based in Adelaide, and Protec Groupe an environmental and industrial analysis company with operations in France, the UK and the USA.

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, Uniquet 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 non-executive Director 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.

Dr 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: CYP), Prophecy Inc, Scancell Holdings plc (LSE: SCLP), Sienna Cancer Diagnostics Limited (ASX: SDX) and ScienceMedia Inc.

Dr Robert Peach BSc, MSc, PhD

Non-Executive Director, appointed 14 November 2016. Dr Peach has over 25 years of drug discovery and development experience in the Pharmaceutical and Biotechnology industry. In 2009 he co-founded Receptos, becoming Chief Scientific Officer and raising \$59M in venture capital and \$800M in an IPO and three subsequent follow-on offerings. In August 2015 Receptos was acquired by Celgene for \$7.8B. Robert held senior executive and scientific positions in other companies including Apoptos, Biogen Idec, IDEC and Bristol-Myers Squibb, supporting in-licensing, acquisition and venture investments. His extensive drug discovery and development experience in autoimmune and inflammatory diseases, and cancer has resulted in multiple drugs entering clinical trials and 3 registered drugs. He currently serves on the Board of Directors of Innate Immunotherapeutics (ASX:III) and Avalia Immunotherapies and is a consultant for several other biotechnology companies. Robert is the co-author of 70 scientific publications and book chapters, and 17 patents. He was educated at the University of Canterbury and the University of Otago, New Zealand.

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

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	293,092	146,544
Samantha Cobb	1,087,449	356,394
James Williams ¹	54,159,848	-
Liddy McCall ¹	54,159,848	-
John Chiplin	810,883	-
Robert Peach	-	-

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

Cameron Jones B.Bus, CA

Cameron Jones is a Chartered Accountant and holds a Certificate in Governance (Practice) from the Governance Institute of Australia. Cameron is a Director of Bio101Group Pty Ltd, a wholly owned subsidiary of Biotech Capital Limited providing life science companies with accounting, back office administration and company secretarial solutions.

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
145,976	Ordinary	\$0.17*	1 July 2018
20,569	Ordinary	\$0.17*	21 September 2018
73,272	Ordinary	\$0.17*	1 November 2018
129,913	Ordinary	\$0.17*	1 July 2019
365,225	Ordinary	\$0.17*	1 November 2019
234,472	Ordinary	\$0.17	1 November 2020

*50% of 734,955 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.

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 exercised	Issue price of shares	Number of shares issued
27 September 2016	\$0.17	222,061
27 September 2016	\$0.09	73,273
27 September 2016	\$0.0002	493,140
21 October 2016	\$0.09	117,237
21 October 2016	\$0.0002	43,963
7 November 2016	\$0.09	43,963
7 November 2016	\$0.0002	43,964
21 December 2016	\$0.0002	73,273

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, 9 Board meetings were held.

Directors	Board of Directors	
	Held	Attended
Paul MacLeman	9	9
Samantha Cobb	9	9
James Williams	9	7
Liddy McCall	9	9
John Chiplin	9	9

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 19 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.

Auditor's independence declaration

The auditor's independence declaration is included on page 22 of the financial report.

OPERATING AND FINANCIAL REVIEW

Summary of principal activities

The principal focus for AdAlta Limited (ASX: 1AD) during the course of 2016/17 financial year was to advance its lead i-body candidate AD-114 towards the clinic and generate additional i-bodies from its novel platform technology. I-bodies are a new class of small, targeted, fully-human protein treatments which are being used to make medicines for hard to treat diseases.

i-bodies are a promising, novel class of drugs that offer a new and more effective approach to treating a wide range of human diseases.

While the i-body platform will enable the Company to develop a number of new medicines over time, initial focus during 2016/17 financial year related to development of AdAlta's lead i-body candidate, AD-114, for the treatment of idiopathic pulmonary fibrosis (IPF) and other human fibrotic diseases.

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.

Outside of IPF, potential applications exist for AD-114 in the treatment of other fibrotic diseases. Using animal models of disease and with human tissues, AD-114 has demonstrated broad anti-fibrotic and anti-inflammatory effects in fibrosis models of lung, eye, liver, skin and kidney fibrosis.

In conjunction with work on AD-114, the Company also plans to continue further drug discovery and development, directed towards other drug targets and diseases using its i-body technology platform. This work is completed at La Trobe University and directed by AdAlta's Chief Scientific Officer, Mick Foley. The pipeline of i-bodies being developed are focusing on difficult targets, including other G-Protein Coupled Receptors (GPCRs) and ion channel targets. AdAlta's focus is to "drug these undruggable targets" with the i-body platform.

FINANCIAL YEAR 2017 – A YEAR OF MEASURABLE PROGRESS

Overview and market conditions

About AD-114

AdAlta's lead i-body drug candidate is called AD-114. An i-body is a new class of small, targeted, fully-human protein treatments used to make new medicines for hard to treat diseases.

AD-114 has demonstrated significant anti-fibrotic and anti-inflammatory activity in human tissue and multiple animal models. Over the past twelve months the Company has further strengthened the pre-clinical data of AD-114 demonstrating broad anti-fibrotic application in the lung, liver, kidney, eye and skin in various models of fibrotic disease.

AD-114 has been shown to specifically bind to the G-protein coupled receptor (GPCR) CXCR4. This data has been peer reviewed and published in the *Journal of Biological Chemistry* (June 2016). Pre-clinical comparisons to existing drugs show that AD-114 operates through a different mechanism and is more effective. CXCR4 is a novel disease target pathway in IPF and AD-114 would be a "first in class" drug for treatment of this "orphan disease" indication. Drugs are recognised by industry participants as "first in class" when, for example, they use a new and unique mechanism of action for treating a medical condition.

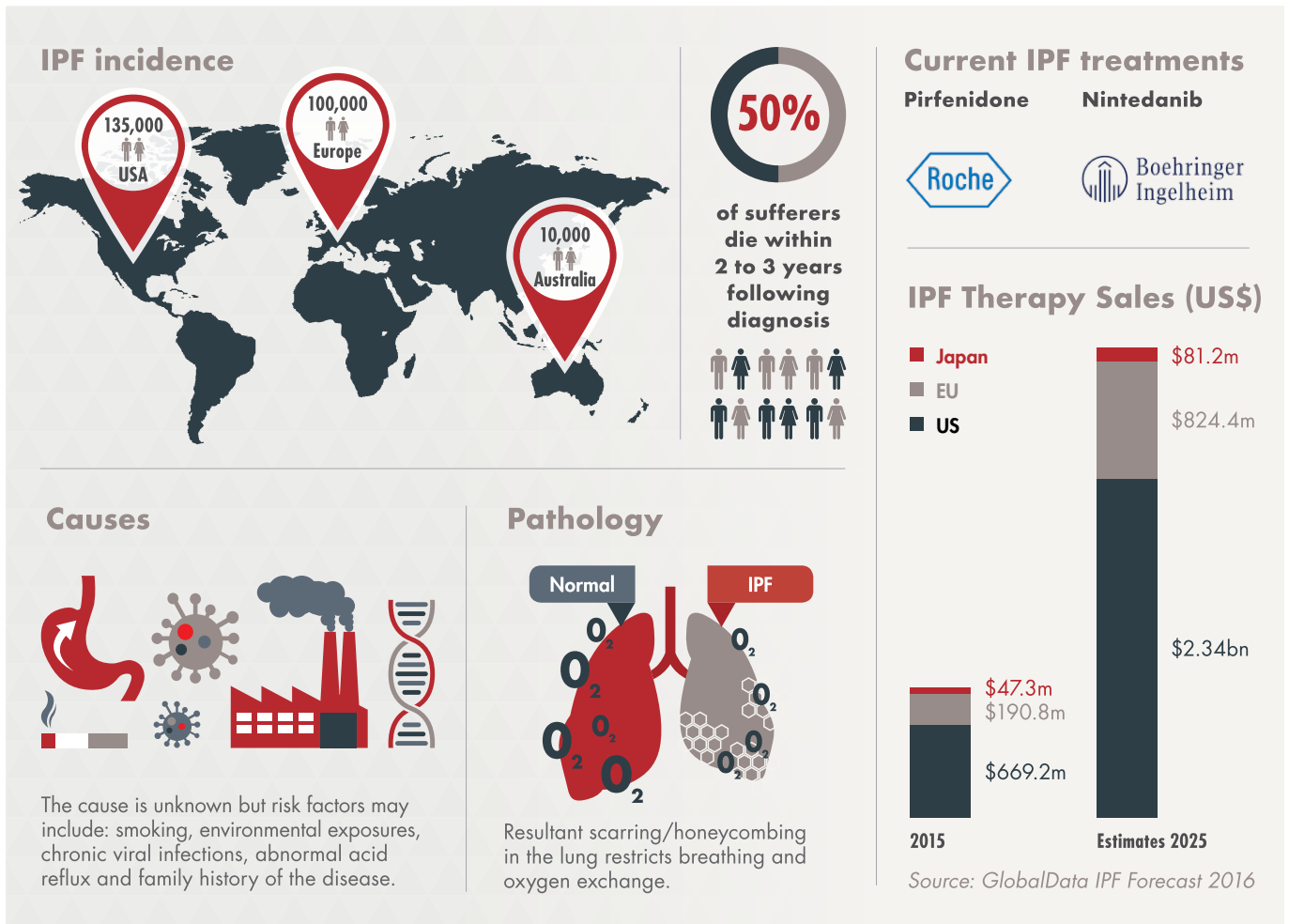
Pre-clinical studies have shown AD-114:

- has specificity for diseased human tissue with effects only shown on IPF tissue and no effects displayed on normal lung tissue nor any evidence of off target effects;
- is more effective than existing IPF approved drugs showing greater *in vitro* efficacy compared to the only approved therapies Nintedanib and Pirfenidone;
- demonstrates both anti-fibrotic and anti-inflammatory effects in multiple animal models; and is a novel mechanism of action for fibrosis making AD-114 a potential "first in class" therapy for the treatment of IPF.

Idiopathic Pulmonary Fibrosis – a large market with high unmet medical need

A specific form of lung fibrosis is Idiopathic pulmonary fibrosis (IPF), which is a chronic and ultimately fatal disease.

- IPF is categorized as a rare disease, but still affects an estimated:
- 135,000 people in the United States (US), with about 48,000 new cases being diagnosed annually. In the US 50,000 people die each year from IPF; the same mortality rate as breast cancer;
- 100,000 people in Europe; and
- 10,000 people in Australia.



The treatment of IPF was greatly improved in 2014 with the United States FDA approval of two anti-fibrotic agents – Pirfenidone and Nintedanib. Despite different modes of action, Pirfenidone and Nintedanib are deemed by respiratory clinicians to be equally effective, with both compounds slowing the reduction in lung volume that is characteristic in IPF patients. In 2015, sales of these two drugs was approximately \$0.9b and by 2025 this market is expected to grow to \$3.2b (Global Data IPF Forecast 2016).

These compounds only slow the progression of the disease, they do not act as a cure and cannot halt or reverse the decline in lung function, with the median survival from diagnosis 2 ½ to 3 ½ years¹. The world urgently needs improved treatment of IPF.

IPF programs are attracting deals early in the development pathway

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

Comparable transactions confirm that big pharma are actively acquiring fibrosis assets at an early stage – typically based on Phase I results. These are detailed in the table below.

¹Ley B, Collard HR, King TE. Clinical course and prediction of survival in idiopathic pulmonary fibrosis. Am J Respir Crit Care Med. 2011; 183:431–40

Date	Company	Target	Acquired by	Deal value (US\$)	Deal commentary
SEP – 15	Adheron Therapeutics	SDP051	Roche	\$105M upfront, plus \$475M in milestones	SDP-51 at end of Phase I for IPF
AUG – 15	Promedior	PRM-151	BMS	\$150m upfront + \$1.25B	Phase II IPF and myelofibrosis
NOV – 14	Galecto Biotech AB	TD139	BMS	\$444M	Option to acquire at end of clinical POC (no later than 60 days following Ph 1b for IPF completion)
AUG – 14	Intermune	Esbriet / Pirfenidone	Roche	\$8.3B	Approval in Europe / Japan, phase III in the US
JUN – 13	MicroDose Therapeutx	MMI0100	Teva Pharmaceuticals	\$40M upfront \$125M milestones	MMI0100 was in pre-clinical development
MAR – 12	Stromedix	STX100	Biogen Idec	\$75M upfront \$487.5M milestones	End of phase I for IPF
JUL – 11	Amira / BMS	BMS-986020	BMS	\$325M upfront \$150M milestones	End of phase I for IPF

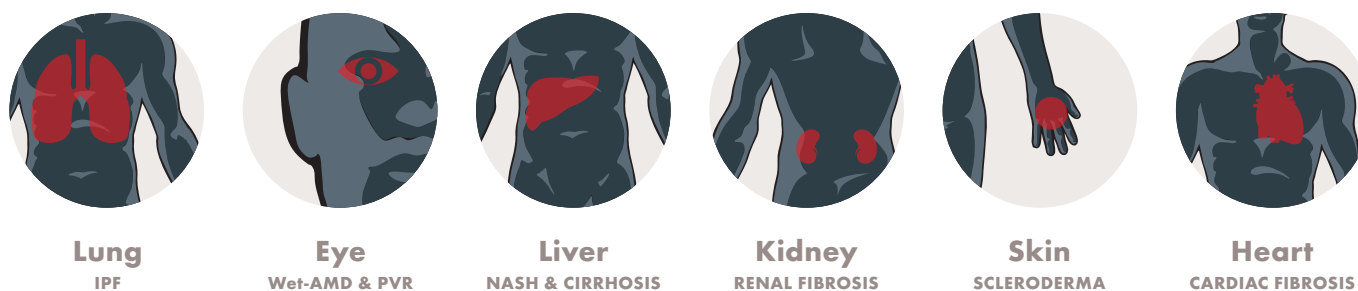
Significant milestones achieved during the reporting period

Pre-clinical toxicology studies show no adverse effects

Immediately post the year end, AdAlta was able to report the early results of two toxicology studies in non-human primates. These pharmacokinetic and dose escalating studies looked at preliminary safety and demonstrated no adverse side effects.

Importantly, it was shown that AD-114 did not mobilise stem cells, unlike all other cells which work by antagonizing the CXCR4 receptor pathway. This result is a potential advantage for AD-114 in the long term treatment of diseases such as fibrosis. The data also demonstrates that the long loop of the i-body has a distinct activity, differentiating AD-114 from other CXCR4 antagonist products.

The completion of pre-clinical toxicology trials will allow AdAlta to begin Phase 1 trials in humans in 2018. The Phase 1 trial is estimated to be completed in the second half of calendar 2018 and will deliver a further major milestone.



We have now demonstrated broad treatment potential for fibrosis in the lung, liver, skin and eye using a number therapeutic mouse models. Such data further validates previous *in vitro* (in the lab) studies.

i-body manufacturing and research advancement

During the period, we have manufactured AD-114 material for these pre-clinical trials with our partner FujiFilm Diosynth and continue to work with them for the supply of materials into Phase 1 in human clinical trials.

Contract manufacturer Lonza, made research advancements by successfully demonstrating scalability and efficacy of expression levels of the AdAlta's i-body platform using its XSTM Pichia (or yeast) Expression Technology with another i-body. This important work demonstrated that AdAlta's i-body platform can be expressed in an alternative system to the current standard bacterial system which is able to potentially provide higher yields, using a simple, fast fermentation method, achieving almost double the yield in half the fermentation time.

Orphan Drug Designation provides faster path to market and extended IP

In January 2017 AdAlta was granted Orphan Drug Designation from the United States Food and Drug Administration (FDA) for AD-114. Orphan Drug status allows for significant Research and Development tax credits, new drug application fee waivers and a seven-year period of market exclusivity from the FDA after approval.

Orphan Drug status is expected to ultimately help accelerate our commercial development path and is a recognition of the high unmet need that exists in the area of Idiopathic Pulmonary Fibrosis.

Collaborations, grants and commercialisation agreements provide valuable non-dilutive funding

Collaborations

An ongoing clinical collaboration between with The Alfred hospital in Melbourne, Australia was extended and expanded. Funding for the collaboration was provided by an Innovation Connection grant from the Australian Federal Government as well as AdAlta's research and development, and clinical budget.

The collaboration with The Alfred was overseen by the clinical research team's Dr Glen Westall, an expert in lung fibrosis and Idiopathic Pulmonary Fibrosis (IPF). The hospital importantly brought to AdAlta access to human IPF patient tissue for evaluation with AD-114.

In late 2016, AdAlta signed a collaboration with XL-protein GmbH to develop a long acting version of AD-114. This collaboration will see XL-protein apply its proprietary technology to extend the circulation half life of AD-114, thereby increasing the duration of therapeutic action and allow less frequent administration and lower dosing. The modifications to AD-114 by XL-protein will be progressed towards the clinic by early 2018.

Grants

AdAlta, together with La Trobe University was the recipient of a Science and Industry Endowment Fund (SIEF) Business Fellowship to identify and develop new novel i-bodies and thereby further build on AdAlta's i-body pipeline.

The fellowship will strengthen the collaboration between AdAlta and La Trobe and will accelerate the adoption of new ideas and technology. Dr Chris Hosking at La Trobe will support Associate Professor Mick Foley, AdAlta's Chief Scientific Officer, at the La Trobe Institute for Molecular Science.

Commercialisation agreements

AdAlta out-licensed a number of shark antibodies to Crossbeta Biosciences. Crossbeta is a biotechnology company with unique technology for therapeutic and diagnostic use in neurodegenerative disorders, such as Alzheimer's disease. The agreement provides Crossbeta a license to three shark antibodies that bind to beta-amyloid oligomer, which were identified from the long-term collaboration with AdAlta dating back to 2013.

The agreement with Crossbeta Biosciences will generate royalties on future revenues from successful commercialisation of these specific shark antibodies.

Industry presentations position AdAlta in view of partners

We continue to engage key industry stakeholders across the fibrosis space, vital in gaining and maintaining awareness for our activities with potential partners and industry peers.

On the industry front, we presented at the Annual General Meeting at the Association for Research in Vision and Ophthalmology (ARVO) in May 2017 in Baltimore, Maryland, USA.

Post the period, CEO Samantha Cobb presented to an international audience of major competitors in the IPF space, biopharma and academic stakeholders at the inaugural Idiopathic Pulmonary Fibrosis Summit. The event was designed to highlight the work being undertaken in the world on IPF treatment and also new advancements being made with the aim to reduce the expansive translational gap that exists in IPF drug development.

Strong investor outreach program drives awareness in AdAlta

Domestically we hosted an inaugural Fibrosis Symposium in Melbourne in February 2017 bringing together many of Australia's leading authorities in the fibrosis space and a range of financial market participants. This was an excellent forum which enabled AdAlta to educate interested investors on developments in the fibrosis space.

Throughout the year we presented to a range of investors in a range of forums, including investor conferences and 1:1 roadshow meetings. Post the period we held shareholder information sessions in key Australian cities to update shareholders on the Company's progress, moving AD-114 towards the clinic.

Offshore we presented at the Biotech Showcase during JP Morgan healthcare week in the US and conducted a number of investor road shows through the year. Immediately post the period, we were invited to present on the topic of Fibrosis at the annual Bioshares Investment Summit in Queenstown, NZ.

Summary of operating results

The Company reported a loss for the year ended 30 June 2017, after accounting for income tax benefit, of (\$2,832,517) (30 June 2016: (\$1,163,056)). The year ended 30 June 2017 operating results are attributed to the following:

- Research and Development tax incentive refund: \$1,777,030 (30 June 2016: \$738,046);
- Cost of services expense of \$3,598,678 (30 June 2016: \$1,413,975); and
- Employment benefit expense of \$404,669 (30 June 2016: \$224,620).

The increase in cash and cash equivalents, net assets, contributed equity and accumulated losses was largely the result of the ASX listing and AdAlta's IPO and the Research and Development tax incentive.

Financial liquidity and capital resources

AdAlta ended the financial year with \$6,224,617 in the bank, and received a Research and Development tax incentive refund of \$1,777,030 following 30 June 2017, further boosting capital resources.

As a result, the Directors believe the Company is in a strong and stable financial position to expand and grow its current operations and has the capital resources required to take the company through to the end of Phase 1 trials in IFP.

Significant changes in state of affairs

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

On 24th August 2016, the Company received a Research and Development tax incentive refund of \$738,046 for the 2015/2016 financial year.

On 18 August 2017 the Board approved a short term cash incentive for Samantha Cobb of \$66,300 plus superannuation.

Events after the reporting period

On 7th August 2017, the Company received a Research and Development tax incentive refund of \$1,777,030 for the 2016/2017 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 as well as potential partnering.

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.

We will continue to engage all relevant stakeholders in order to ensure the best commercial outcome can be secured.

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 2017.

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	Position
Paul MacLeman	Chairman & Non-executive Director
John Chiplin	Non-executive Director
Liddy McCall	Non-executive Director
Robert Peach	Non-executive Director (<i>appointed 14 November 2016</i>)
James Williams	Non-executive Director
Executive Directors	
Samantha Cobb	Managing Director & CEO

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

Remuneration policy

The 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 fortnightly 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.

Remuneration of key management personnel

2017	Short-term employee benefits		Post-employment benefits	Share-based payment	Total \$
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
Non-executive Directors					
Paul MacLeman	60,108	-	-	-	60,108
James Williams	38,650	-	-	-	38,650
Liddy McCall	38,650	-	-	-	38,650
John Chiplin	41,503	-	-	-	41,503
Robert Peach*	28,125	-	-	-	28,125
Executive Directors					
Samantha Cobb	218,135	67,500	27,680	-	313,315
Total	425,171	67,500	27,680	-	520,351

*Appointed 14 November 2016

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

No share options were issued to key management personnel as remuneration during the financial year as set out in the following table. 903,303 share options were exercised by key management personnel during the year (2015: 40,200, pre-split amount).

2017	Balance at 1 July No.	Granted as compensation No.	Exercised	Net other change No.	Balance at 30 June No.
Samantha Cobb	790,751	-	(434,357)	-	356,394
Paul MacLeman	366,363	-	(219,819)	-	146,544
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	249,127	-	(249,127)	-	-
Robert Peach	-	-	-	-	-
Total	1,406,241	-	(903,303)	-	502,938

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 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, which was subsequently modified effective 1 June 2017, to \$260,000 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.

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
Robert Peach	Non-Executive Director	\$45,000

The Company has entered into consulting agreements with both Paul MacLeman (Chairman), Robert Peach 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 is 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 31 May 2017, Mr Cameron Jones was appointed as Company Secretary. His services are provided through Bio101Group Pty Ltd.

Key management personnel equity holdings

Fully paid ordinary shares of AdAlta Limited

	Balance at 1 July	Received on exercise of options	Net other change *	Additions	Balance at 30 June
2017	No.	No.	No.		No.
Samantha Cobb	653,092	434,357	-	-	1,087,449
Paul MacLeman	73,273	219,819	-	-	293,092
James Williams ¹	-	-	54,059,848	100,000	54,159,848
Liddy McCall ¹	-	-	54,059,848	100,000	54,159,848
John Chiplin	73,273	249,127	488,483	-	810,883
Robert Peach	-	-	-	-	-

*The net other change relates to the conversion of Convertible Notes and Series A Preference Shares to Ordinary Shares upon ASX conditionally confirming that it will admit the Company to the Official List.

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

	Balance at 1 July	Additions	Received on exercise of options	Net other change *	Balance at 30 June
2016	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	73,273

*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.

Share Options of AdAlta Limited

2017	Balance at 1 July	Granted as compen- -sation	Exercised	Net other change*	Balance at 30 June	Balance vested at 30 June	Vested and exercise -able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Samantha Cobb	790,751	-	(434,357)	-	356,394	356,394	356,394	534,591
Paul MacLeman	366,363	-	(219,819)	-	146,544	146,544	146,544	293,090
James Williams	-	-	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-	-	-
John Chiplin	249,127	-	(249,127)	-	-	-	-	175,854
Robert Peach	-	-	-	-	-	-	-	-

2016	Balance at 1 July	Granted as compen- -sation	Exercised	Net other change*	Balance at 30 June	Balance vested at 30 June	Vested and exercise -able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	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

*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

Series A Preference shares of AdAlta Limited

2017	Balance at 1 July No.*	Granted as compensation No.	Net other change No.*	Balance at 30 June No.
Samantha Cobb	-	-	-	-
Paul MacLeman	-	-	-	-
James Williams ¹	2,394,454	-	(2,394,454)	-
Liddy McCall ¹	2,394,454	-	(2,394,454)	-
John Chiplin	-	-	-	-
Robert Peach	-	-	-	-

¹Upon ASX conditionally confirming that it will admit the Company to the Official List, all Preference Shares automatically converted into Ordinary Shares. The conversion ratio for each Preference Share was adjusted as provided in the relevant subscription agreement and for the Share Split. As a result of listing, 2,394,454 Preference Shares converted to 17,235,679 Ordinary Shares.

¹These share are 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).

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

¹Held 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

2017	Balance at 1 July No.*	Subscriptions /conversions No.	Net other change No.*	Balance at 30 June No.
Samantha Cobb	-	-	-	-
Paul MacLeman	-	-	-	-
James Williams ¹	2,500,000	-	(2,500,000)	-
Liddy McCall ¹	2,500,000	-	(2,500,000)	-
John Chiplin	50,000	-	(50,000)	-

*Upon ASX conditionally confirming that it will admit the Company to the Official List, all Preference Shares automatically converted into Ordinary Shares. The conversion ratio for each Preference Share was adjusted as provided in the relevant subscription agreement and for the Share Split. As a result of listing, 2,394,454 Preference Shares converted to 17,235,679 Ordinary Shares.

¹Held 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).

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

¹Held 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

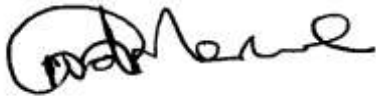
Melbourne, 6 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2017, 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



MARIUS VAN DER MERWE
Director

Perth
Date: 6 September 2017

ADALTA LTD
ABN 92 120 332 925

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 2017

	Note	2017 \$	2016 \$
Revenue			
Interest Received		170,926	8,902
Other Revenue	2	<u>1,796,754</u>	<u>738,046</u>
		<u>1,967,680</u>	<u>746,948</u>
Expenses			
Cost of services		(3,598,678)	(1,413,975)
Depreciation and amortisation expenses	7	(5,435)	(684)
Employee benefit expense		(404,669)	(224,620)
Travel expense		(76,575)	(57,127)
Board fees		(207,037)	(50,000)
Patent and legal costs		(73,310)	(44,556)
Other expenses		<u>(434,493)</u>	<u>(119,042)</u>
		<u>(4,800,197)</u>	<u>(1,910,004)</u>
Profit (loss) before income tax		(2,832,517)	(1,163,056)
Tax expense	3	-	-
Profit (loss) for the year		<u>(2,832,517)</u>	<u>(1,163,056)</u>
Earnings per Share			
Basic and diluted loss per share (cents)	4	(3.15)	(32.59)

The accompanying notes form part of these financial statements.

ADALTA LTD
ABN 92 120 332 925

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	6,224,617	485,558
Trade and other receivables	6	1,862,673	897,247
TOTAL CURRENT ASSETS		<u>8,087,290</u>	<u>1,382,805</u>
NON-CURRENT ASSETS			
Plant and equipment	7	-	282
Other non-current assets	8	2,600	-
TOTAL NON-CURRENT ASSETS		<u>2,600</u>	<u>282</u>
TOTAL ASSETS		<u>8,089,890</u>	<u>1,383,087</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	285,915	178,797
Provisions	10	58,597	36,402
TOTAL CURRENT LIABILITIES		<u>344,512</u>	<u>215,199</u>
TOTAL LIABILITIES		<u>344,512</u>	<u>215,199</u>
NET ASSETS		<u>7,745,378</u>	<u>1,167,888</u>
EQUITY			
Issued capital	11	17,560,338	8,150,331
Reserves	12	3,908	3,908
Retained earnings (accumulated losses)		<u>(9,818,868)</u>	<u>(6,986,351)</u>
TOTAL EQUITY		<u>7,745,378</u>	<u>1,167,888</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 2017

	Ordinary \$	Share Capital Series A Preference Shares \$	Convertible Notes \$	Retained Earnings \$	Share based payment reserve \$	Total \$
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
Balance at 1 July 2016	2,490,333	2,999,998	2,660,000	(6,986,351)	3,908	1,167,888
Comprehensive income						
Profit (loss) for the year	-	-	-	(2,832,517)	-	(2,832,517)
Total comprehensive income for the year attributable to the member of the company	-	-	-	(2,832,517)	-	(2,832,517)
Transactions with the owner, in capacity as owner and other transfers						
Issue of ordinary shares	10,000,000	-	-	-	-	10,000,000
Conversion of options to shares	58,984	-	-	-	-	58,984
Share issue costs	(648,977)	-	-	-	-	(648,977)
Conversion of Preference Shares	2,999,998	(2,999,998)	-	-	-	-
Conversion of Convertible Notes	2,660,000	-	(2,660,000)	-	-	-
Total transactions with the owner and other transfers	15,070,005	(2,999,998)	(2,660,000)	-	-	9,410,007
Balance at 30 June 2017	17,560,338	-	-	(9,818,868)	3,908	7,745,378

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 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Payments to suppliers and employees		(4,632,076)	(2,061,656)
R & D tax incentive		738,046	878,394
Interest received		147,483	8,902
Grants received		19,724	-
Net cash provided by (used in) operating activities	20 (b)	<u>(3,726,823)</u>	<u>(1,174,360)</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,000	-
Payments for property, plant and equipment		(6,745)	-
Payments for other assets		(2,600)	-
Net cash provided by (used in) investing activities		<u>(8,345)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from convertible notes		-	1,625,000
Proceeds from share capital		10,000,000	54
Proceeds from option conversions		58,984	-
Payment of share issue costs		(584,757)	-
Net cash provided by financing activities		<u>9,474,227</u>	<u>1,625,054</u>
Net increase (decrease) in cash held		5,739,059	450,694
Cash and cash equivalents at beginning of financial year		485,558	34,864
Cash and cash equivalents at end of financial year	20 (a)	<u>6,224,617</u>	<u>485,558</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 2017

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 6 September 2017 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 \$2,832,517 (2016: \$1,163,056) and the Company had net cash outflows from operating activities of \$3,726,823 (2016: \$1,174,360). As at balance date, the Company had net current assets of \$7,744,378 (2016: \$1,167,888).

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.

(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 2017

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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.

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	Notes
Computer software	13.17%	
Office equipment	17.31%	Assets acquired pre 31 December 2016
Office equipment	100%	Assets acquired post 31 December 2016

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 2017

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 2017

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 2017

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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 is currently assessing the impact 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
AASB15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
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 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

(r) Operating Segments

The Company only operates in one segment.

(s) 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.

(t) 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 2016, 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 2017

	2017	2016
	\$	\$
2. REVENUE AND OTHER INCOME		
R & D Tax incentive	1,777,030	738,046
Grant Income	19,724	-
Total revenue	1,796,754	738,046
3. TAX EXPENSE		
(a) Tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Tax reconciliation		
Profit (loss) before income tax expense	(2,832,517)	(1,163,056)
Prima facie tax payable at 27.5% (2016:28.5%)	(778,942)	(331,471)
Non deductible expenses	1,142,978	467,429
Non assessable income	(488,683)	(250,342)
Temporary differences	(45,841)	(26,713)
Benefits of tax losses not brought into account	170,488	141,097
	-	-

(c)The Company has revenue losses of approximately \$1,010,000 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	(2,832,517)	(1,163,056)
	Number of shares	Number of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS.	90,035,620	3,574,154

The 969,427 options (2016: 2,144,423) are not considered to be dilutive.

5. CASH AND CASH EQUIVALENTS

Cheque account	20,189	8,632
Cash reserve account	275,009	455,822
Savings - bonus	929,419	21,104
Term Deposit	5,000,000	-
	6,224,617	485,558

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NOTES TO THE FINANCIAL STATEMENTS
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	2017 \$	2016 \$
6. TRADE AND OTHER RECEIVABLES		
CURRENT		
Sundry receivable - R&D tax incentive	1,777,030	738,046
Trade receivables	-	2,657
Good and services tax	39,009	21,830
Prepaid expenses	23,192	57,894
Prepayments – IPO Costs	-	76,820
Accrued income	23,442	-
	<u>1,862,673</u>	<u>897,247</u>
7. PLANT AND EQUIPMENT		
Computer software	1,241	1,241
Less accumulated depreciation	(1,241)	(1,241)
	<u>-</u>	<u>-</u>
Office equipment	6,908	3,952
Less accumulated depreciation	(6,908)	(3,670)
	<u>-</u>	<u>282</u>
Total plant and equipment	<u>-</u>	<u>282</u>
Movements in carrying amounts		
Movements in the carrying amounts for each class of		
(a) Office Equipment		
Balance at beginning of year	282	966
Additions	6,745	-
Disposals	(1,000)	-
Loss on sale	(592)	-
Depreciation expense	(5,435)	(684)
Balance at end of year	<u>-</u>	<u>282</u>
8. OTHER ASSETS		
NON-CURRENT		
Security Deposit/Bond	2,600	-
	<u>2,600</u>	<u>-</u>
9. TRADE AND OTHER PAYABLES		
CURRENT		
Accrued expenses	254,504	145,241
Trade creditors	10,406	29,940
PAYG and super payable	21,005	3,616
	<u>285,915</u>	<u>178,797</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
10. PROVISIONS		
CURRENT		
Provision for annual leave	11,153	11,539
Provision for long service leave	47,444	24,863
	58,597	36,402
11. ISSUED CAPITAL		
Fully paid ordinary shares	17,560,338	2,490,333
Fully paid Series A Preference shares	-	2,999,998
Fully paid convertible notes	-	2,660,000
	17,560,338	8,150,331

(a) Ordinary Shares

	No.	No.
At beginning of reporting period	12,418,223	2,065,000
Issued on exercise of options	1,110,874	53,500
Issued as part of share split	-	10,299,723
Issue of ordinary shares	40,000,000	-
Conversion of Preference Shares	21,594,477	-
Conversion of Convertible Notes	25,987,316	-
At the end of the reporting period	101,110,890	12,418,223

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
Conversion to Ordinary Shares	(2,999,998)	-
At the end of the reporting period	-	2,999,998

The conversion ratio for each Preference Share was adjusted as provided in the relevant subscription agreement and for the Share Split. Accordingly, 2,999,998 Preference Shares converted to 21,594,477 Ordinary Shares.

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11. ISSUED CAPITAL (continued)

(c) Convertible Notes

	No.	No.
At beginning of reporting period	2,660,000	1,035,000
Mezzanine Finance	-	1,625,000
Conversion to Ordinary Shares	(2,660,000)	-
At the end of the reporting period	<u>-</u>	<u>2,660,000</u>

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

	Number of options
(d) Options on issue	
Expiry date	
1 July 2018*	145,976
21 September 2018*	20,569
1 November 2018*	73,272
1 July 2019*	129,913
1 November 2019*	365,225
1 November 2020	234,472
	<u>969,427</u>

*50% of 734,955 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.

	2017	2016
	\$	\$
12. 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	<u>3,908</u>	<u>3,908</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

12. RESERVES (continued)

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.

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 are not quoted on the ASX.

During the year no options were granted under the Employee Options Plan.

Expiry Date	Exercise Price	No. at the start of year	Granted in the year	Exercised	Expired	No. at the end of year
27-Sep-16	\$0.17 *	252,057	-	(222,061)	(29,996)	-
01-Jul-18	\$0.17 *	145,976	-	-	-	145,976
21-Sep-18	\$0.17 *	20,569	-	-	-	20,569
01-Nov-18	\$0.17 *	381,018	-	(307,746)	-	73,272
01-Jul-19	\$0.17 *	291,953	-	(127,914)	(34,126)	129,913
01-Nov-19	\$0.17 *	818,378	-	(453,153)	-	365,225
01-Nov-20	\$0.17	234,472	-	-	-	234,472
		2,144,423	-	(1,110,874)	(64,122)	969,427
Weighted average exercise price		\$0.17 *		\$0.0531	NA	\$0.17 *

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 2017 is 816 days.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

13. 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>)
Robert Peach	Non Executive Director (<i>appointed 14 November 2016</i>)
Ian Hobson	Company Secretary (<i>resigned 31 May 2017</i>)
Cameron Jones	Company Secretary (<i>appointed 31 May 2017</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.

Remuneration of key management personnel

2017	Short-term employee benefits		Post-employment benefits	Share-based payment	Total \$
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
Non-executive Directors					
Paul MacLeman	60,108	-	-	-	60,108
James Williams	38,650	-	-	-	38,650
Liddy McCall	38,650	-	-	-	38,650
John Chiplin	41,503	-	-	-	41,503
Robert Peach*	28,125	-	-	-	28,125
Executive Directors					
Samantha Cobb	218,135	67,500	27,680	-	313,315
Total	425,171	67,500	27,680	-	520,351

*Appointed 14 November 2016

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NOTES TO THE FINANCIAL STATEMENTS
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13. RELATED PARTY TRANSACTIONS (continued)

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

No share options were issued to key management personnel as remuneration during the financial year as set out in the following table. 903,303 share options were exercised by key management personnel during the year (2016: 40,200, pre-split amount).

	Balance at 1 July No.	Granted as compensation No.	Exercised	Net other change No.	Balance at 30 June No.
2017					
Samantha Cobb	790,751	-	(434,357)	-	356,394
Paul MacLeman	366,363	-	(219,819)	-	146,544
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	249,127	-	(249,127)	-	-
Robert Peach	-	-	-	-	-
Total	1,406,241	-	(903,303)	-	502,938

	Balance at 1 July No.*	Granted as compensation No.*	Exercised*	Net other change No.**	Balance at 30 June No.**
2016					
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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

14. CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

15. EVENTS AFTER THE REPORTING PERIOD

On 7 August 2017, the Company received a Research and Development tax incentive refund of \$1,077,030 for the 2016/2017 financial year.

On 18 August 2017 the Board approved a short term cash incentive for Samantha Cobb of \$66,300 plus superannuation.

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.

16. COMMITMENTS FOR EXPENDITURE

a) **Lease commitments**

The Company has a lease agreement with Collins Street Business Centre at the business address of Level 14, 330 Collins Street Melbourne. This lease terminates on 31 January 2018.

Payable – minimum lease payments	2017	2016
	\$	\$
Not later than 12 months	18,200	-
Between 12 months and 5 years	-	-
Total	<u>18,200</u>	<u>-</u>

b) **Capital commitments**

The Company has no capital commitments.

c) **Other commitments**

The Company is currently not contracted to significant expenditure.

17. 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:

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% (2016: 0.00%).
Cash reserve	5	Carried at face value.	The cash reserve account is at call with an interest rate of 0.60% (2016: 1.05%).
Savings	5	Carried at face value.	The savings bonus account is at call with an interest rate of 1.05% (2016: 1.54%).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT (Continued)

Term Deposit	5	Carried at face value.	The term deposit has an interest rate of 2.60%.
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 11.
Series A preference shares	10	Series A Preference share capital is recognised at the fair value of the consideration received.	Details of the Series A Preference shares issued and the terms and conditions at balance date are set out in Note 11.
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 11.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT (Continued)

(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.

	2017	2016
	\$	\$
18. DIVIDENDS		
No dividends were paid or declared since the start of the financial year and no recommendation for payment of dividends has been made.		
19. AUDITORS REUMERATION		
Audit services		
Auditors of the Company		
Butler Settineri (Audit) Pty Ltd	21,092	16,434
Other Services		
Butler Settineri (Audit) Pty Ltd	8,000	12,500
Related practice entity	-	7,500
	8,000	20,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
20. 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	20,189	8,632
Cash reserve account	275,009	455,822
Savings - bonus	929,419	21,104
Term Deposit	5,000,000	-
	6,224,617	485,558
(b) Reconciliation of cash flow from operations with profit after income tax		
Loss attributable to members	(2,832,517)	(1,163,056)
Non-cash flows in profit:		
Depreciation	5,435	684
Loss on sale of plant and equipment	592	-
Prior year receivables classified as capital	(65,220)	-
(Increase) / decrease in receivables	(965,426)	33,994
Increase / (decrease) in payables	107,118	(53,852)
Increase / (decrease) in provisions	23,195	7,870
Net cash provided by (used in) operating activities	(3,726,823)	(1,174,360)

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DIRECTOR 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 34 to 53 presents fairly the Company's financial position as at 30 June 2017 and its performance for the year ended on that date in accordance with Australian Accounting Standards;
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; and
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001.

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

6 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADALTA LIMITED

Report on the Financial Report

Opinion

We have audited the financial report of AdAlta Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="236 264 783 360">Intellectual Property Rights and Obligations arising from Research and Development Agreements</p> <p data-bbox="236 398 783 696">The Company has in place multiple agreements with research and development providers whereby certain services and facilities are supplied in exchange for payment. To enable the delivery of these services and facilities, the Company's intellectual property is made available to the research and development providers.</p> <p data-bbox="236 701 783 965">Management have written specific clauses into the Research and Development Agreements to protect the Company's intellectual property rights and also exercise their judgment in interpreting the agreements and the recognition of any potential liabilities and/or commitments arising therefrom.</p> <p data-bbox="236 1003 783 1070">Equity and Capital Structure <i>Refer note 11</i></p> <p data-bbox="236 1108 783 1435">During the year, the company successfully listed on the Australian Securities Exchange (ASX) resulting in the conversion of convertible notes and preference shares to "fully paid" ordinary shares. Furthermore, in addition to fully paid ordinary shares, the Company has issued various options of which some have been exercised and fully paid ordinary shares issued.</p> <p data-bbox="236 1473 783 1570">Research and Development Tax Incentive <i>Refer notes 2 and 6</i></p> <p data-bbox="236 1608 783 1771">Management utilise key assumptions, judgements and estimates in determining the R&D Tax Incentive disclosed in note 2 and 6 which is material to the financial statements.</p>	<p data-bbox="810 398 1358 734">Our audit procedures included obtaining copies of major agreements and reviewing them to determine if any commitments, provisions or payables needed to be accounted for and disclosed in line with the applicable Australian Accounting Standards. Furthermore, we reviewed the agreements to ensure clauses were present to protect the intellectual property rights of AdAlta Limited.</p> <p data-bbox="810 1108 1358 1435">Our audit procedures included an examination of each conversion to, and issue of, fully paid ordinary shares during the year as shown in note 11. We also assessed whether or not share-based payments should have been recognised in relation to the Employee Share Option Plan. Further, we reconciled the third party share registry to information announced to the public.</p> <p data-bbox="810 1608 1358 1872">Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by the Company in preparing the R&D Tax Incentive application. We also focused on the adequacy of financial report disclosures regarding these assumptions as disclosed at note 1.</p>

Deferred Taxation

Refer notes 3

The Company relies on the use of an expert to prepare the Company income tax return and taxation disclosures which are material to the financial statements. Further, management utilise key assumptions, judgements and estimates in calculating the deferred tax disclosed in note 1.

Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by the company in preparing their estimate of deferred taxes. In accordance with Australian Auditing Standards, we relied on the work of management's expert with respect to the assumptions used in the calculation of deferred taxes. This included examining the qualifications, objectivity and experience of management's expert. We also focused on the adequacy of financial report disclosures regarding these assumptions as disclosed at note 1.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

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

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE
Director

Perth
Date: 6 September 2017

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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 6 September 2017.

(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	6	1,035	0.00%
1,001 - 5,000	34	111,280	0.11%
5,001 - 10,000	77	682,610	0.68%
10,001 - 100,000	245	9,342,799	9.24%
100,001 and over	64	90,973,166	89.97%
	426	101,110,890	100.00%

The number of shareholders holding less than a marketable parcel of shares are: 12

(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	% Issued Share Capital
1	YUUWA CAPITAL LP	54,059,848	53.47%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,151,963	8.06%
3	CITYCASTLE PTY LTD	5,311,856	5.25%
4	LA TROBE UNIVERSITY	3,041,330	3.01%
5	NATIONAL NOMINEES LIMITED	2,162,635	2.14%
6	MR ROBIN BEAUMONT & MS HELEN SHINGLER	1,888,559	1.87%
7	SAMANTHA COBB	1,087,449	1.08%
8	VEDDEREDDIE PTY LIMITED	1,000,000	0.99%
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	995,758	0.98%
10	DR FRANCIS JOHN BALLARD & DR LEANNA CHRISTINE READ	995,239	0.98%
11	QUTBLUEBOX PTY LTD	898,116	0.89%
12	JOHN CHIPLIN	810,883	0.80%
13	JONTRA HOLDINGS PTY LTD	808,828	0.80%
14	CSIRO	614,621	0.61%
15	MICHAEL FOLEY	473,040	0.47%
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	JAMES & MARY-ANNE KALOKERINOS	312,929	0.31%
20	PAUL MACLEMAN	293,092	0.29%
	Total	83,866,146	82.94%
	Total issued capital - selected security class(es)	101,110,890	100.00%

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(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	53.47%
2	PLATINUM INVESTMENT MANAGEMENT LIMITED (HELD BY HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED)	8,000,000	7.91%
3	CITYCASTLE PTY LTD	5,311,856	5.25%

(d) Unquoted equity securities:

Number	Number of Holders	+Class	Escrow Period	Holders of more than 20%
145,976	2	Unlisted options exercisable at \$0.17* expiring 1/7/2018	22/08/2018	Samantha Cobb (89,099) Michael Foley (56,877)
129,913	2	Unlisted options exercisable at \$0.17* expiring 1/7/2019	22/08/2018	Samantha Cobb (89,099) Michael Foley (40,814)
365,225	3	Unlisted options exercisable at \$0.17* expiring 1/11/2019	22/08/2018	Samantha Cobb (178,196) Michael Foley (113,757) Paul MacLeman (73,272)
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)
23,900,594	5	Ordinary Shares, subject to 24 months escrow from listing	22/08/2018	Yuuwa Capital LLP (22,082,027) Samantha Cobb (914,592) John Chiplin (610,883) Paul MacLeman (219,819) Dalroar Pty Ltd (73,273)
20,569	1	Unlisted options exercisable at \$0.17* expiring 21/9/2018		Michael Foley (20,569)
207,571	1	Ordinary Shares, Voluntary Escrow	27/09/2017	Michael Foley (207,571)
73,272	2	Unlisted options exercisable at \$0.17* expiring 1/11/2018	22/08/2018	Paul MacLeman (73,272)

*50% of 734,955 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.

