



**AdAlta**  
next generation protein therapeutics

**FINANCIAL  
REPORT**

FOR THE YEAR ENDED  
30 JUNE 2018

ADALTA LTD  
ABN 92 120 332 925

# CORPORATE DIRECTORY

## DIRECTORS

**Dr Paul MacLeman**

**Ms Samantha Cobb**

**Dr James Williams**

**Ms Elizabeth McCall**

**Dr John Chiplin**

**Dr Robert Peach**

## COMPANY SECRETARY

**Cameron Jones**

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Melbourne VIC 3000

## ASX CODE

1AD

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Surrey Hills NSW 2010

**Telephone:** 1300 288 664

**Website:** automic.com.au

## AUDITOR

**Butler Settineri (Audit) Pty Ltd**

Unit 16, First Floor

100 Railway Road

Subiaco WA 6008

## BANKERS

**Westpac Banking Corporation**

## SOLICITORS

**Lander & Rogers**

Level 12, 600 Bourke Street

Melbourne VIC 3000

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# CHAIRMAN'S LETTER

It is my pleasure to open the financial year 2018 annual report looking back upon a year of notable achievements for AdAlta as we progress our new lead candidate to the clinic.

During the year we made great advancement in demonstrating the strength of the AdAlta drug development platform and the therapeutic potential of the i-body. Off the back of this effort, just after year end, we successfully completed a placement to institutional and sophisticated investors as well as a share purchase plan with existing shareholders raising \$4.73 million for manufacturing and preclinical studies of our lead candidate, AD-214.

When AdAlta listed in 2016, we made clear our objective to partner our i-body platform to generate early revenues. We listed with an i-body demonstrated as a CXCR4 antagonist and chose to focus on Idiopathic Pulmonary Fibrosis, which is a rare disease with high unmet patient need and a disease area with a precedent of early stage agreements.

In line with this objective, one of the most commercially significant activities to occur throughout the year was the redesign of what was our lead candidate, AD-114, into what is now an Fc-fusion molecule that we've called AD-214. With AD-214, we now have a more potent therapeutic with a longer half-life for less frequent dosing – and ultimately a more attractive product for potential pharmaceutical partners.

We have been able to apply to AD-214 all the preclinical work undertaken prior to the redesign and, importantly, we carried over our Orphan Drug status with the US FDA. This is important because in February we announced the peer reviewed publication of our data which showed that CXCR4 is an important alternative target for treating IPF and fibrotic diseases, and that our i-body molecule selectively blocks migration of some of the cells implicated in fibrosis without impacting healthy tissue. This data was published in Scientific Reports, a prestigious journal from the publishers of Nature, giving further weight to the credibility of AdAlta's i-body as a therapeutic.

While the two marketed treatments Nintedanib and Pirfenidone provide relief for some IPF patients, not all can tolerate the side effects nor respond to these available treatments, making further treatment options greatly 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 this space can deliver short term returns to investors.

Reflecting now on the landscape in which AdAlta operates, we were very interested to see next generation antibody developer Ablynx Inc acquired by pharmaceutical giant Sanofi for EUR 3.9 billion. While more clinically advanced with a number of partnerships, Ablynx has perhaps the closest technology to AdAlta at the platform level, so this acquisition sets the vision for where we think our next generation antibody technology – our i-body platform could take us, and further validates the Company's business objectives.

On behalf of the Board, sincere thanks to all investors who have supported us through the last 12 months, and thanks also to our CEO and Managing Director Sam Cobb and the team for their tireless efforts throughout the year. We expect the upcoming year to continue to deliver strong results and growth for AdAlta and its investors.



**Paul MacLeman**  
Chairman

# 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 2018. 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 Director and CEO of several VC funded, ASX, NASDAQ and TSX listed companies. Paul is also current Chairman of LiVac Pty Limited and is a Non-Executive Director of Sypharma Pty Limited.

**Samantha Cobb** BSc, MApl, GAICD

Managing Director / CEO, appointed 29 June 2007. Sam is the founding CEO of AdAlta and has over fifteen years experience in business development and commercialisation of early stage scientific technologies. Prior to AdAlta, Sam was the Business Development Director at the Co-operative Research Centre for Diagnostics. Sam has also worked for the biotech start-up companies Sensologix Inc and Nephrogenix Pty Ltd and at the University of Queensland's technology commercialisation companies, Uniquest Pty Ltd and IMBcom Pty Ltd. Sam has a Bachelor of Science, a Masters of Intellectual Property Law and has completed the Australian Institute of Company Directors course.

**Dr James Williams** BSc (Hons), MBA, PhD, GAICD

Non-Executive Director, joined the Board 16 December 2010. Dr Williams is 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 iCetana Pty Ltd. He is also a Director of the Tailor Made Spirits Company Ltd, 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., BJuris, 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.

**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, Cynata Therapeutics Limited (ASX: CYN), Scancell Holdings plc (LSE: SCLP), Sienna Cancer Diagnostics Limited (ASX: SDX) and ScienceMedia Inc.

**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:ILL) 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	439,636	30,000
Samantha Cobb	1,443,843	1,750,000
James Williams <sup>1</sup>	54,159,848	-
Liddy McCall <sup>1</sup>	54,159,848	-
John Chiplin	810,883	20,000
Robert Peach	-	200,000

<sup>1</sup>James 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 BTC health 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
234,472	Ordinary	\$0.17	1 November 2020
600,000	Ordinary	\$0.17	16 October 2020
1,150,000	Ordinary	\$0.25	14 November 2021
650,000	Ordinary	\$0.50	14 November 2021
350,000	Ordinary	\$0.75	14 November 2021
350,000	Ordinary	\$1.00	14 November 2021
200,000	Ordinary	\$0.31	30 September 2021
200,000	Ordinary	\$0.31	30 September 2022

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
25 September 2017	\$0.09	146,544
4 December 2017	\$0.17	588,411

## 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, thirteen Board meetings were held.

Directors	Board of Directors	
	Held	Attended
Paul MacLeman	13	12
Samantha Cobb	13	12
James Williams	13	12
Liddy McCall	13	13
John Chiplin	13	10
Robert Peach	13	10

## 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 reporting period was to continue to advance its lead i-body toward the clinic for the treatment of Idiopathic Pulmonary Fibrosis. 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.

During the year, AdAlta significantly improved the design of its lead candidate AD-114 by fusing two i-bodies to the Fc fragment of an antibody, a process known as Fc-fusion. This redesigned molecule, called AD-214, has demonstrated significantly increased potency and greater half-life, or time that it remains in the body compared to the original molecule.

While the primary focus of AdAlta is taking its improved lead candidate through to a Phase 1 human clinical trial, AdAlta is also looking to expand its pipeline of i-body candidates. This will involve using the Company's novel platform technology to identify unique binders to drug targets that have proven difficult for currently available therapeutics.

## Strategy

AdAlta Limited intends to further develop its novel i-body platform with a focus on its lead candidate AD-214, a first-in class treatment for Idiopathic Pulmonary Fibrosis (IPF) and other fibrotic diseases for which current therapies are sub-optimal and there is a high unmet medical need. AdAlta is undertaking the manufacturing of AD-214 in order to complete a four week non-human primate study, which will be followed by first in man studies to evaluate the drug's safety.

AD-214 could have applications in the treatment of fibrotic diseases beyond IPF. During the last twelve months the Company has explored the wider applicability of its lead i-body in several animal models of disease and with human tissues, demonstrating the broad anti-fibrotic and anti-inflammatory effects in models of lung, eye, liver, skin and kidney fibrosis.

In conjunction with work on AD-214, the Company also plans to continue further drug discovery and development, using its i-body technology platform to identify other drug targets and diseases. This work is being 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 2018 – A YEAR OF ADVANCEMENT FOR OUR LEAD I-BODY

## Overview and market conditions

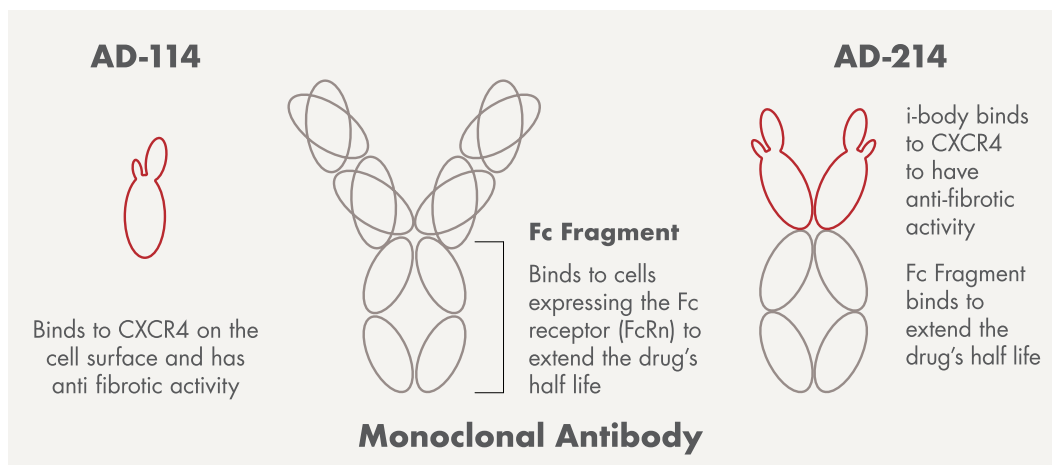
### Introducing AD-214

During the past year AdAlta has made significant improvements to its lead i-body candidate, AD-114, resulting in a second-generation lead candidate called AD-214.

The new i-body has been designed as an Fc-fusion protein with two AD-114 i-body molecules at the front end that bind with high affinity to the human target, CXCR4. The presence of two i-bodies now, instead of one, works to increase the potency of AdAlta's lead i-body candidate.

At the back end of AD-214 is the Fc fragment or tail region of a traditional monoclonal antibody, which works to increase the half-life of the fused protein, thus decreasing the required frequency of dosing. Due to the injected nature of Fc-fusion protein and the chronic nature of fibrotic diseases, a decreased dosing frequency is a significantly more desirable outcome for patients and physicians, leading to better patient compliance.

The structure of AD-214 is further outlined below:



The two AD-114 i-body molecules positioned at the front of AD-214 have not been modified. They have only been joined through the addition of an Fc fragment, enabling AdAlta to make use of the existing strong preclinical package which was developed for AD-114, while also retaining FDA orphan drug status for the treatment of idiopathic pulmonary fibrosis.

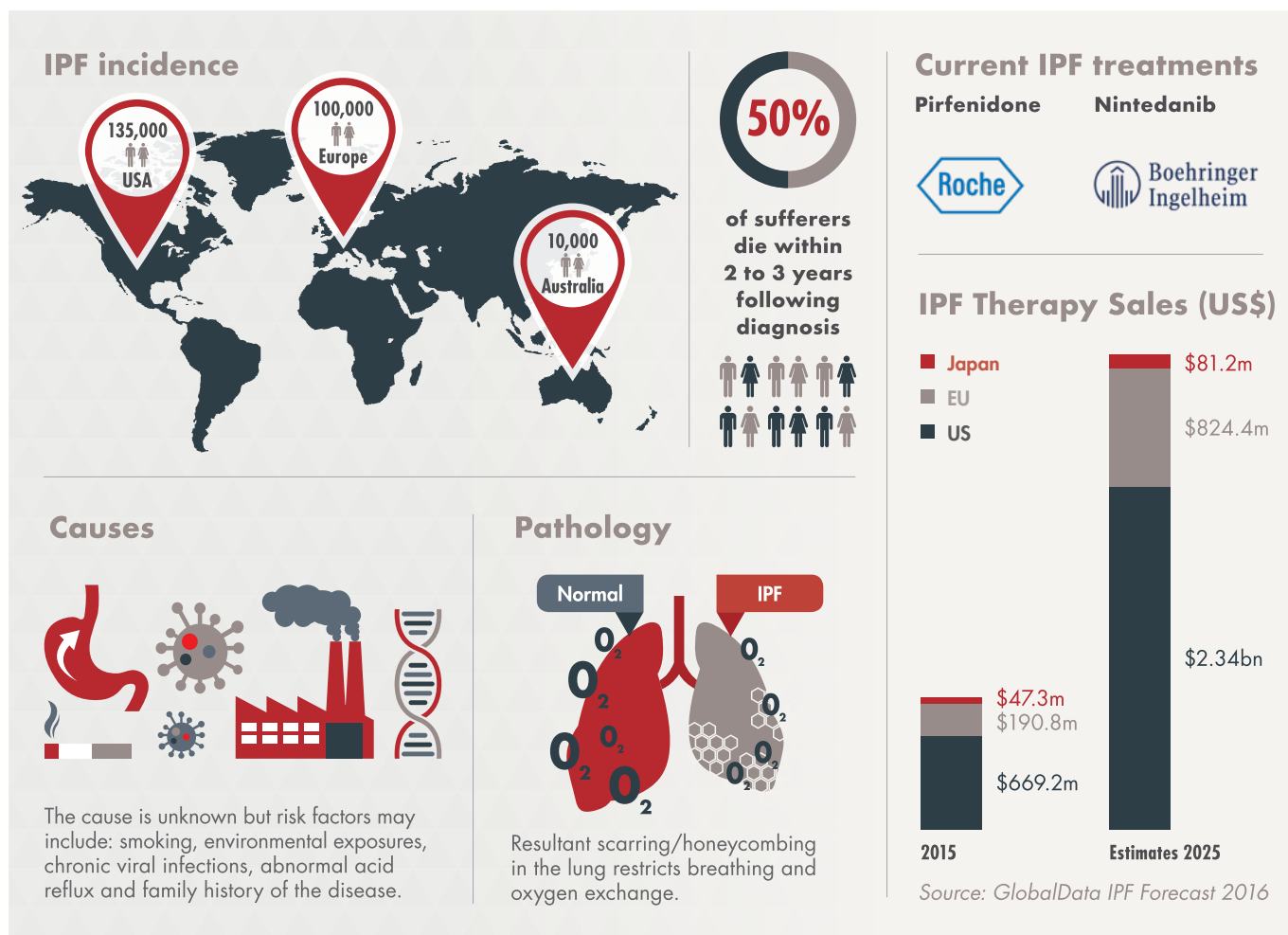
The therapeutic benefits of AD-214 for patients and physicians along with the Company's ability to leverage work completed to date make AD-214 more attractive to partners, particularly given the strong commercial precedent of mainstream drugs which are currently being manufactured and marketed using the Fc-Fusion route.

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

AdAlta is developing its improved lead candidate, AD-214, for the treatment of Idiopathic Pulmonary Fibrosis (IPF), a condition of unknown origin, which causes significant scarring of the lungs that manifests in severe breathing difficulties. Idiopathic Pulmonary Fibrosis is a chronic and ultimately fatal disease.

IPF is categorized as a rare disease but each year 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 (Esbriet) and Nintedanib (Ofev). Despite differing 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 albeit with substantial side effects. In 2015, sales of these two drugs were approximately \$900 million and by 2025 this market is expected to grow to \$3.2 billion (*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 only 2-3 years (*Ley et al. Respir Crit Care Med. 2011*). There is therefore still a significant, unmet need for new therapeutics to treat idiopathic pulmonary fibrosis.

## IPF programs are attracting deals early in the development pathway

The significant value in therapeutics to treat Idiopathic Pulmonary Fibrosis has been demonstrated by a series of early stage licensing deals, as outlined below. These transactions involved a combination of upfront payments, milestones and royalties, and highlight the established attractiveness of IPF programs to pharmaceutical companies such as Roche and Bristol Myers Squibb (BMS).

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:

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

There are several companies that have generated clinical readouts from Phase II studies, demonstrating significant market uplift in value with the completion of both small Phase IIa studies (23 IPF patients) and a larger Phase IIb study (104 IPF patients).

Galápagos	FibroGen
23 IPF patients GLPG1690 or Placebo for 12 weeks	103 IPF patients Pamrevlumab or Placebo for 48 weeks
Change in <b>Forced Vital Capacity</b> at 12 weeks Placebo: <b>-87mL</b> GLPG1690: <b>+8mL</b>	Change in <b>Forced Vital Capacity</b> at 48 weeks Placebo: <b>-308mL</b> Pamrevlumab: <b>-126mL</b>
<b>US\$555 million</b> added to market cap on announcement of Phase IIa data	<b>US\$869 million</b> added to market cap on announcement of Phase IIb data
Current market cap: <b>US\$5.20b*</b>	Current market cap: <b>US\$4.95b*</b>

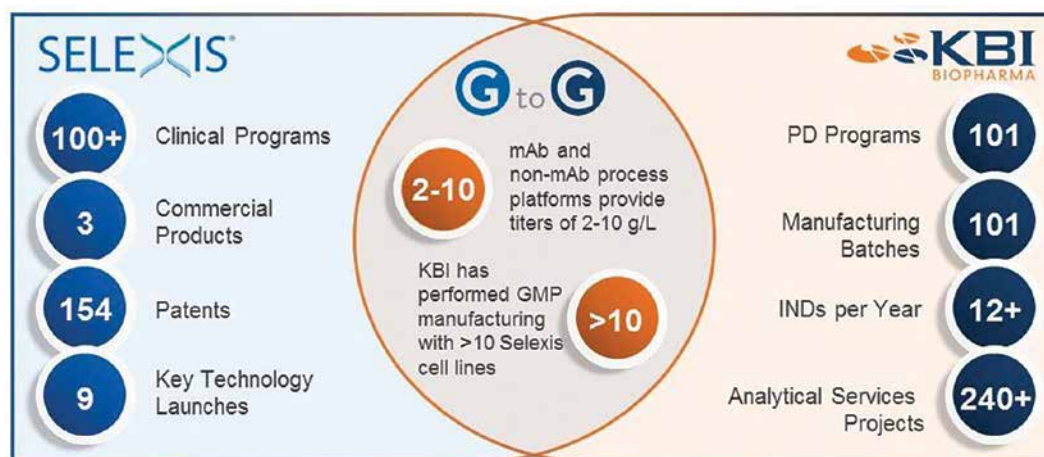
\*Market Cap as of 21<sup>st</sup> August 2018

## Significant milestones achieved during the reporting period

### Engagement of manufacturing partners for AD-214

AdAlta is focused on expediting the development of AD-214 into the clinic and has completed the critical step of engaging partners for its manufacture. The use of Fc-fusion technology for AD-214 requires an alternate manufacturing process to the first generation i-body, AD-114. During the period, AdAlta engaged two partners for the manufacture of AD-214: Selexis SA, for cell line development, and KBI Biopharma, for process development, analytical development, formulation development and clinical manufacturing services. Selexis SA and KBI Pharma are owned by the same parent company and have worked together on the development of several Fc-Fusion products.

The appointment of Selexis SA and KBI Biopharma was the result of a substantial tender process led by AdAlta Chief Operating Officer, Dallas Hartman, who has significant experience manufacturing drugs designed using the Fc-Fusion process. Selexis SA and KBI Biopharma have extensive experience and expertise in the development of manufacturing processes for biological compounds including specific development of Fc-fusion proteins. Following appointment, Selexis has initiated cell line development and AdAlta expects to receive material for the four-week non-human primate toxicology study in the second half of 2019.



### Publication of data

AdAlta published a data set in February 2018 pertaining to its lead i-body candidate in the peer-reviewed journal, Scientific Reports, from the publishers of Nature.

The publication, which utilised samples taken from patients with IPF, demonstrated that the i-body target, CXCR4, is more highly expressed in IPF lung tissue compared to normal tissue and that the i-body slows the migration of diseased fibroblasts while having no effect on healthy cells. This data demonstrated the specificity of AdAlta's i-body for diseased tissue and a unique profile compared to existing treatments. The team was delighted to have its research published by such a highly regarded scientific journal.

### Bolstering of IP portfolio

AdAlta was granted a key patent relating to its lead i-body product. The patent titled 'CXCR4 binding molecules' was granted in Australia in November 2017 with a priority date of 9 January 2015. Patents are granted on a country by country basis and the grant of an Australian patent is a positive indication of the validity of the claims, which are being pursued internationally.

### Creating a capable team

AdAlta expanded its team during the reporting period to build the capabilities required to successfully move AD-214 into the clinic and for the development of the i-body pipeline. Chief Operating Officer, Dr Dallas Hartman, joined AdAlta in October 2017, bringing over 20 years of industry experience in manufacturing and characterisation of Fc-fusion products from both CSL and Nexvet.

AdAlta has also recently appointed Dr Angus Tester as Head of Drug Discovery. Dr Tester has significant commercial experience in roles with other listed biotech companies Opthea and Telix Pharmaceuticals and will be guiding the expansion of the i-body pipeline during 2019.

### Continuing research and collaboration

AdAlta has continued its collaboration with Professor Carol Pollock at the University of Sydney to evaluate the lead i-body for the treatment of chronic kidney disease. Professor Pollock was awarded a project grant from the National Health and Medical Research Council (NHMRC) totalling \$768,000. The grant provides non-dilutive funding to build on the initial work completed by the Kolling Institute and University of Sydney that demonstrated the anti-fibrotic effects of AdAlta's lead candidate in the kidney via a different mechanism of action from currently-approved therapies.

## Profile building

AdAlta has continued to raise its profile and engage across a range of market segments including the investor community, biotechnology industry, IPF community and general public.

AdAlta Chief Executive Officer Sam Cobb has continued a strong investor outreach program providing the opportunity to engage with both existing and prospective shareholders. AdAlta held its second Investor and Analyst briefing day in February, bringing together leading speakers in funds management, research and drug development to discuss the ability of the i-body platform to 'drug' difficult to access targets. AdAlta also held Shareholder Briefing Sessions at several locations in July 2017 and April 2018 and presented at several investor events such as the Biotech Showcase, Biotech meets Broker, Gold Coast Investment Showcase and 121 Tech Investment in Hong Kong. AdAlta also received analyst coverage from Bioshares, Patersons and NDF Research along with media coverage from Small Caps, Stockhead and Biotech Daily, Fairfax media, Biotech Dispatch, Check Orphan, Rare Disease Report and Clinical Leader.

AdAlta has increased its profile within the biotechnology community with CEO Sam Cobb promoted as a key speaker at the BioMelbourne Connecting Women lunch and a feature on both Sam Cobb and AdAlta published in Australasian Biotechnology. The Company was recognised as a player in the single domain antibody and phage display spaces through mentions in reviews in Nature Reviews Drug Discovery in July 2017 and June 2018, respectively.

The Company increased the use of its website and social media channels throughout the period, which has seen an increase in stakeholder engagement more broadly.

AdAlta undertook significant engagement with the IPF patient and clinician network during 2018. AdAlta CEO Sam Cobb presented at the inaugural IPF Summit held in Boston in August 2017, which brought together IPF researchers and drug developers. Updates to the IPF program have been covered in both Pulmonary Fibrosis News and Lung Disease News, which are valuable news portals for patients with fibrotic lung conditions. AdAlta also ran a series of weekly articles during Pulmonary Fibrosis Awareness Month with contributions from clinicians, patients and allied health to help raise awareness of this disease.

## Summary of operating results

The Company reported a loss for the year ended 30 June 2018, after accounting for income tax benefit, of (\$3,854,894) (30 June 2017: (\$2,832,517)). The year ended 30 June 2018 operating results are attributed to the following:

- Research and Development tax incentive refund: \$2,020,175 (30 June 2017: \$1,777,030);
- Cost of services expense of \$3,980,633 (30 June 2017: \$3,598,678); and
- Employment benefit expense of \$664,909 (30 June 2017: \$404,669).

## Financial liquidity and capital resources

AdAlta ended the financial year with \$2,306,048 in the bank. In July 2018 the Company announced that it completed a placement to sophisticated and institutional investors and in August 2018 a share purchase plan (SPP) to existing shareholders on the same terms as those offered under the placement raising a total of \$4.73 million.

As a result, the Directors believe the Company is in a strong and stable financial position and that the funds raised from the placement and SPP will be used for manufacturing and pre-clinical studies of AD-214 as well as internal research and development of new i-bodies and corporate costs.

## Events after the reporting period

On 13<sup>th</sup> July 2018, the Company announced the placement of 14,166,667 fully paid ordinary shares to sophisticated and institutional investors at a price of \$0.30 per share to raise \$4.25 million. Directors intend to take up a total of 522,450 shares, the issue of which will be subject to shareholder approval at the Annual General Meeting.

On 16<sup>th</sup> July 2018, eligible shareholders were offered the opportunity to subscribe for up to \$15,000 of new fully paid ordinary shares in AdAlta, free of brokerage and commission, under a share purchase plan (SPP) at the same price as the placement. On 15 August 2018, the Company announced the Placement of 1,592,011 fully paid ordinary shares to eligible shareholders at a price of \$0.30 per share to raise \$477,603 from the SPP.

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 continue to develop its lead i-body drug candidate, AD-214, demonstrating its safety and advancing it to the clinic for treatment of fibrosis-related diseases.

The Company also has a focus on increasing the interest in its novel i-body platform, which has several advantages over more traditional drug discovery platforms. The long loop has far greater access to targets than monoclonal antibodies, and with high affinity and specificity. This ability to drug the undruggable was highlighted at the AdAlta Investor and Analyst Briefing day in February 2018 but also in a recent Nature publication, suggesting technologies like AdAlta's i-body platform may open up further opportunities to develop therapeutics to GPCRs and ion channels that have traditionally been hard to drug.

Increasing interest in the i-body platform provides an opportunity to expand the pipeline of drug candidates in multiple therapeutic areas, creating the potential for additional revenue, including up-front, milestone payments and licensing payments.

Greater interest in the platform also creates partnering opportunities. AdAlta 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.

AdAlta will continue to engage all relevant stakeholders in order to ensure the best commercial outcomes 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 2018.

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
<b>Paul MacLeman</b>	Chairman & Non-executive Director
<b>John Chiplin</b>	Non-executive Director
<b>Liddy McCall</b>	Non-executive Director
<b>Robert Peach</b>	Non-executive Director
<b>James Williams</b>	Non-executive Director
Executive Directors	
<b>Samantha Cobb</b>	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

2018	Short-term employee benefits		Post-employment benefits	Share-based payment	Total \$
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
<b>Non-executive Directors</b>					
Paul MacLeman	60,771	-	4,229	3,396	68,396
James Williams <sup>1</sup>	45,000	-	-	-	45,000
Liddy McCall <sup>1</sup>	45,000	-	-	-	45,000
John Chiplin	45,000	-	-	2,264	47,264
Robert Peach	45,000	-	-	22,963	67,963
<b>Executive Directors</b>					
Samantha Cobb	260,000	66,300*	30,999	32,415	389,714
<b>Total</b>	<b>500,771</b>	<b>66,300</b>	<b>35,228</b>	<b>61,038</b>	<b>663,337</b>

\*Bonus paid in August 2017 as decided by the Board and remuneration committee.

<sup>1</sup>James Williams and Liddy McCall's interests are indirectly via a payment to Yuuwa Capital LP for services. Yuuwa Capital LP is a venture capital firm that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

2017	Short-term employee benefits		Post-employment benefits	Share-based payment	Total \$
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
<b>Non-executive Directors</b>					
Paul MacLeman	60,108	-	-	-	60,108
James Williams <sup>1</sup>	38,650	-	-	-	38,650
Liddy McCall <sup>1</sup>	38,650	-	-	-	38,650
John Chiplin	41,503	-	-	-	41,503
Robert Peach*	28,125	-	-	-	28,125
<b>Executive Directors</b>					
Samantha Cobb	218,135	67,500	27,680	-	313,315
<b>Total</b>	<b>425,171</b>	<b>67,500</b>	<b>27,680</b>	<b>-</b>	<b>520,351</b>

\*Appointed 14 November 2016

<sup>1</sup>James Williams and Liddy McCall's interests are indirectly via a payment to Yuuwa Capital LP for services. Yuuwa Capital LP is a venture capital firm that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

2,000,000 share options were issued to Directors and key management personnel as remuneration during the financial year as set out in the following table. 502,938 share options were exercised by Directors and key management personnel during the year (2017: 903,303).

2018	Balance at 1 July No.	Granted as compensation No.	Exercised	Net other change No.	Balance at 30 June No.
Samantha Cobb	356,394	1,750,000	(356,394)	-	1,750,000
Paul MacLeman	146,544	30,000	(146,544)	-	30,000
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	-	20,000	-	-	20,000
Robert Peach	-	200,000	-	-	200,000
<b>Total</b>	<b>502,938</b>	<b>2,000,000</b>	<b>(502,938)</b>	<b>-</b>	<b>2,000,000</b>

<b>2017</b>	<b>Balance at 1 July No.</b>	<b>Granted as compensation No.</b>	<b>Exercised</b>	<b>Net other change No.</b>	<b>Balance at 30 June No.</b>
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	-	-	-	-	-
<b>Total</b>	<b>1,406,241</b>	<b>-</b>	<b>(903,303)</b>	<b>-</b>	<b>502,938</b>

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 and some of these have 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 1 June 2017, a salary of \$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:

<b>Name</b>	<b>Position</b>	<b>Annual Salary (inclusive of superannuation)</b>
Paul MacLeman	Non-Executive Chairman	\$65,000
James Williams <sup>1</sup>	Non-Executive Director	\$45,000
Elizabeth McCall <sup>1</sup>	Non-Executive Director	\$45,000
John Chiplin	Non-Executive Director	\$45,000
Robert Peach	Non-Executive Director	\$45,000

<sup>1</sup>James Williams and Liddy McCall's interests are indirectly via a payment to Yuuwa Capital LP for services. Yuuwa Capital LP is a venture capital firm that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

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 for the period 1 July to 30 September 2017.

Both Elizabeth McCall and James Williams are currently appointed as nominated Directors of Yuuwa Capital LP. An equivalent amount to the fee paid for non-executive directors is paid under a contract 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.

## Key management personnel equity holdings

### Fully paid ordinary shares of AdAlta Limited

	<b>Balance at 1 July</b>	<b>Received on exercise of options</b>	<b>Net other change</b>	<b>Additions</b>	<b>Balance at 30 June</b>
<b>2018</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>		<b>No.</b>
Samantha Cobb	1,087,449	356,394	-	-	1,443,843
Paul MacLeman	293,092	146,544	-	-	439,636
James Williams <sup>1</sup>	54,159,848	-	-	-	54,159,848
Liddy McCall <sup>1</sup>	54,159,848	-	-	-	54,159,848
John Chiplin	810,883	-	-	-	810,883
Robert Peach	-	-	-	-	-

<sup>1</sup>James 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.

	<b>Balance at 1 July</b>	<b>Received on exercise of options</b>	<b>Net other change *</b>	<b>Additions</b>	<b>Balance at 30 June</b>
<b>2017</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Samantha Cobb	653,092	434,357	-	-	1,087,449
Paul MacLeman	73,273	219,819	-	-	293,092
James Williams <sup>1</sup>	-	-	54,059,848	100,000	54,159,848
Liddy McCall <sup>1</sup>	-	-	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 listing.

<sup>1</sup>James 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.

## Share Options of AdAlta Limited

2018	Balance at 1 July No.	Granted as compensation No.	Exercised No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercisable No.	Options vested during year No.
Samantha Cobb	356,394	1,750,000	(356,394)	1,750,000	1,750,000	-	-
Paul MacLeman	146,544	30,000	(146,544)	30,000	30,000	30,000	30,000
James Williams	-	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-	-
John Chiplin	-	20,000	-	20,000	20,000	20,000	20,000
Robert Peach	-	200,000	-	200,000	100,000	100,000	100,000

2017	Balance at 1 July No.	Granted as compensation No.	Exercised No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercisable No.	Options vested during year 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	-	-	-	-	-	-	-

## Series A Preference shares of AdAlta Limited

2018	Balance at 1 July No.	Granted as compensation No.	Net other change No.	Balance at 30 June No.
Samantha Cobb	-	-	-	-
Paul MacLeman	-	-	-	-
James Williams <sup>1</sup>	-	-	-	-
Liddy McCall <sup>1</sup>	-	-	-	-
John Chiplin	-	-	-	-
Robert Peach	-	-	-	-

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 <sup>1</sup>	2,394,454*	-	(2,394,454)*	-
Liddy McCall <sup>1</sup>	2,394,454*	-	(2,394,454)*	-
John Chiplin	-	-	-	-
Robert Peach	-	-	-	-

\*Upon ASX listing, 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.

<sup>1</sup>These 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).

## Convertible notes of AdAlta Limited

<b>2018</b>	<b>Balance at 1 July No.</b>	<b>Subscriptions /conversions No.</b>	<b>Net other change # No.</b>	<b>Balance at 30 June No.</b>
Samantha Cobb	-	-	-	-
Paul MacLeman	-	-	-	-
James Williams <sup>1</sup>	-	-	-	-
Liddy McCall <sup>1</sup>	-	-	-	-
John Chiplin	-	-	-	-

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

\*Upon ASX listing, all Convertible Notes converted into Ordinary Shares. The conversion ratio for each Convertible Note was adjusted as provided in the relevant subscription agreement and for the Share Split. As a result of listing, 2,500,000 Convertible Notes converted to 24,424,169 Ordinary Shares.

<sup>1</sup>Held by Yuuwa capital LP (managed by its general partner Yuuwa Management LP and its general partner Yuuwa Capital Management Pty Ltd of which James Williams and Liddy McCall are Directors and have an indirect shareholding).

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

On behalf of the Directors



**Paul MacLeman**  
Chairman

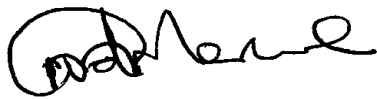
Melbourne, 5 September 2018

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2018, 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: 5 September 2018

**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](http://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 2018**

	Note	2018 \$	2017 \$
<b>Revenue</b>			
Interest Received		59,804	170,926
Other Revenue	2	<u>2,020,175</u>	<u>1,796,754</u>
		<u>2,079,979</u>	<u>1,967,680</u>
<b>Expenses</b>			
Cost of services		(3,980,633)	(3,598,678)
Depreciation and amortisation expenses	7	(3,142)	(5,435)
Employee benefit expense		(664,909)	(404,669)
Travel expense		(113,691)	(76,575)
Board fees		(245,000)	(207,037)
Patent and legal costs		(171,909)	(73,310)
Share based payments		(168,958)	-
Other expenses		(533,874)	(434,493)
Net foreign exchange (loss) / gain		<u>(52,757)</u>	<u>-</u>
		<u>(5,934,873)</u>	<u>(4,800,197)</u>
<b>Profit (loss) before income tax</b>		<b>(3,854,894)</b>	<b>(2,832,517)</b>
Tax expense	3	-	-
<b>Profit (loss) for the year</b>		<b><u>(3,854,894)</u></b>	<b><u>(2,832,517)</u></b>
<b>Earnings per Share</b>			
Basic and diluted loss per share (cents)	4	(3.81)	(3.15)

The accompanying notes form part of these financial statements.



**ADALTA LTD**  
**ABN 92 120 332 925**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,306,048	6,224,617
Trade and other receivables	6	<u>2,130,300</u>	<u>1,862,673</u>
<b>TOTAL CURRENT ASSETS</b>		<u>4,436,348</u>	<u>8,087,290</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	-	-
Other non-current assets	8	<u>2,600</u>	<u>2,600</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>2,600</u>	<u>2,600</u>
<b>TOTAL ASSETS</b>		<u><u>4,438,948</u></u>	<u><u>8,089,890</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	285,149	285,915
Provisions	10	<u>81,168</u>	<u>58,597</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>366,317</u>	<u>344,512</u>
<b>TOTAL LIABILITIES</b>		<u><u>366,317</u></u>	<u><u>344,512</u></u>
<b>NET ASSETS</b>		<u><u>4,072,631</u></u>	<u><u>7,745,378</u></u>
<b>EQUITY</b>			
Issued capital	11	17,573,527	17,560,338
Reserves	12	172,866	3,908
Retained earnings (accumulated losses)		<u>(13,673,762)</u>	<u>(9,818,868)</u>
<b>TOTAL EQUITY</b>		<u><u>4,072,631</u></u>	<u><u>7,745,378</u></u>

The accompanying notes form part of these financial statements.

**ADALTA LTD**  
**ABN 92 120 332 925**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Ordinary \$	Share Capital Series A Preference Shares \$	Convertible Notes \$	Retained Earnings \$	Share based payment reserve \$	Total \$
<b>Balance at 1 July 2016</b>	2,490,333	2,999,998	2,660,000	(6,986,351)	3,908	1,167,888
<b>Comprehensive income</b>						
Profit (loss) for the year	-	-	-	(2,832,517)	-	(2,832,517)
<b>Total comprehensive income for the year attributable to the member of the company</b>	-	-	-	(2,832,517)	-	(2,832,517)
<b>Transactions with the owner, in capacity as owner and other transfers</b>						
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)	-	-	-
<b>Total transactions with the owner and other transfers</b>	15,070,005	(2,999,998)	(2,660,000)	-	-	9,410,007
<b>Balance at 30 June 2017</b>	17,560,338	-	-	(9,818,868)	3,908	7,745,378
<b>Balance at 1 July 2017</b>	17,560,338	-	-	(9,818,868)	3,908	7,745,378
<b>Comprehensive income</b>						
Profit (loss) for the year	-	-	-	(3,854,894)	-	(3,854,894)
<b>Total comprehensive income for the year attributable to the member of the company</b>	-	-	-	(3,854,894)	-	(3,854,894)
<b>Transactions with the owner, in capacity as owner and other transfers</b>						
Conversion of options to shares	13,189	-	-	-	-	13,189
Share based payments recognised	-	-	-	-	168,958	168,958
<b>Total transactions with the owner and other transfers</b>	13,189	-	-	-	168,958	182,147
<b>Balance at 30 June 2018</b>	17,573,527	-	-	(13,673,762)	172,866	4,072,631

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 2018**

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(5,788,893)	(4,632,076)
R & D tax incentive		1,777,030	738,046
Interest received		83,247	147,483
Grants received		-	19,724
<b>Net cash provided by (used in) operating activities</b>	<b>20 (b)</b>	<u>(3,928,616)</u>	<u>(3,726,823)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		-	1,000
Payments for property, plant and equipment		(3,142)	(6,745)
Payments for other assets		-	(2,600)
<b>Net cash provided by (used in) investing activities</b>		<u>(3,142)</u>	<u>(8,345)</u>
<b>Cash flows from financing activities</b>			
Proceeds from convertible notes		-	-
Proceeds from share capital		-	10,000,000
Proceeds from option conversions		13,189	58,984
Payment of share issue costs		-	(584,757)
<b>Net cash provided by financing activities</b>		<u>13,189</u>	<u>9,474,227</u>
Net increase (decrease) in cash held		(3,918,569)	5,739,059
Cash and cash equivalents at beginning of financial year		<u>6,224,617</u>	<u>485,558</u>
Cash and cash equivalents at end of financial year	<b>20 (a)</b>	<u><u>2,306,048</u></u>	<u><u>6,224,617</u></u>

The accompanying notes form part of these financial statements.

**ADALTA LTD**  
**ABN 92 120 332 925**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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 5 September 2018 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 \$3,854,894 (2017: \$2,832,517) and the Company had net cash outflows from operating activities of \$3,928,616 (2017: \$3,726,823). As at balance date, the Company had net current assets of \$4,072,631 (2017: \$7,745,378).

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 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Income tax (continued)**

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

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

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

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

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

**(d) Fair value measurement**

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

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

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

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

**(e) Plant and Equipment**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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 2018**

**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 2018**

**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 2018**

**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 2018**

**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 2018**

**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.

**ADALTA LTD**  
**ABN 92 120 332 925**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUE AND OTHER INCOME</b>		
R & D Tax incentive *	2,020,175	1,777,030
Grant Income	-	19,724
Total revenue	2,020,175	1,796,754
*The 2018 R & D Tax incentive is subject to approval of the Overseas Finding application lodged with AusIndustry on 20 March 2018.		
<b>3. TAX EXPENSE</b>		
(a) Tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Tax reconciliation		
Profit (loss) before income tax expense	(3,854,894)	(2,832,517)
Prima facie tax payable at 27.5% (2017:27.5%)	(1,060,096)	(778,942)
Non deductible expenses	1,323,658	1,142,978
Non assessable income	(555,548)	(488,683)
Temporary differences	1,682	(45,841)
Benefits of tax losses not brought into account	290,304	170,488
	-	-
(c) The Company has revenue losses of approximately \$2,065,000 for which no deferred tax asset has been recognised.		
(d) The Company has no franking credits currently available for future offset.		
<b>4. EARNINGS PER SHARE</b>		
(a) Loss used to calculate basic EPS	(3,854,894)	(2,832,517)
	<b>Number of shares</b>	<b>Number of shares</b>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS.	101,287,250	90,035,620
The 3,734,472 options (2017: 969,427) are not considered to be dilutive.		
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cheque account	26,154	20,189
Cash reserve account	1,139,562	275,009
Savings - bonus	1,139,972	929,419
Term Deposit	-	5,000,000
	2,306,048	6,224,617

**ADALTA LTD**  
**ABN 92 120 332 925**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>6. TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Sundry receivable - R&D tax incentive *	2,020,175	1,777,030
Trade receivables	-	-
Good and services tax	60,481	39,009
Prepaid expenses	49,644	23,192
Accrued income	-	23,442
	<u>2,130,300</u>	<u>1,862,673</u>
*The 2018 R & D Tax incentive is subject to approval of the Overseas Finding application lodged with AusIndustry on 20 March 2018.		
<b>7. PLANT AND EQUIPMENT</b>		
Computer software	-	1,241
Less accumulated depreciation	-	(1,241)
	<u>-</u>	<u>-</u>
Office equipment	10,049	6,908
Less accumulated depreciation	(10,049)	(6,908)
	<u>-</u>	<u>-</u>
<b>Total plant and equipment</b>	<u>-</u>	<u>-</u>
Movements in carrying amounts		
Movements in the carrying amounts for each class of		
<b>(a) Office Equipment</b>		
Balance at beginning of year	-	282
Additions	3,142	6,745
Disposals	-	(1,000)
Loss on sale	-	(592)
Depreciation expense	(3,142)	(5,435)
Balance at end of year	<u>-</u>	<u>-</u>
<b>8. OTHER ASSETS</b>		
<b>NON-CURRENT</b>		
Security Deposit/Bond	2,600	2,600
	<u>2,600</u>	<u>2,600</u>
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>CURRENT</b>		
Accrued expenses	169,955	254,504
Trade creditors	74,587	10,406
PAYG and super payable	40,607	21,005
	<u>285,149</u>	<u>285,915</u>

**ADALTA LTD**  
**ABN 92 120 332 925**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

		2018 \$	2017 \$
<b>10.</b>	<b>PROVISIONS</b>		
	<b>CURRENT</b>		
	Provision for annual leave	28,983	11,153
	Provision for long service leave	52,185	47,444
		81,168	58,597
<b>11.</b>	<b>ISSUED CAPITAL</b>		
	Fully paid ordinary shares	17,573,527	17,560,338
		17,573,527	17,560,338

**(a) Ordinary Shares**

	No.	No.
At beginning of reporting period	101,110,890	12,418,223
Issued on exercise of options	146,544	1,110,874
Issued on exercise of options in accordance with Limited Recourse Loan Agreements executed	588,411*	-
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	101,845,845	101,110,890

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.

\*Ordinary shares issued pursuant to Limited Recourse Loan Agreement executed with eligible employees.

**(b) Series A Preference Shares**

	No.	No.
At beginning of reporting period	-	2,999,998
Conversion to Ordinary Shares	-	(2,999,998)
At the end of the reporting period	-	-

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>11. ISSUED CAPITAL (continued)</b>		
<b>(c) Convertible Notes</b>		
	<b>No.</b>	<b>No.</b>
At beginning of reporting period	-	2,660,000
Conversion to Ordinary Shares	-	(2,660,000)
At the end of the reporting period	-	-

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).

	<b>Number of options</b>
<b>(d) Options on issue</b>	
<b>Expiry date</b>	
16 October 2020	234,472
1 November 2020	600,000
14 November 2021	2,500,000
30 September 2021	200,000
30 September 2022	200,000
	3,734,472

**12. RESERVES**

**Share Based Payment Reserve**

At beginning of reporting period	3,908	3,908
Recognised during the year	168,958	-
At the end of the reporting period	172,866	3,908

**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.

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

**ADALTA LTD**  
**ABN 92 120 332 925**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**12. RESERVES (continued)**

Expiry Date	Exercise Price	No. at the start of year	Granted in the year	Exercised	Expired	No. at the end of year
01-Jul-18	\$0.17 *	145,976	-	(145,976)	-	-
21-Sep-18	\$0.17 *	20,569	-	(20,569)	-	-
01-Nov-18	\$0.17 *	73,272	-	(73,272)	-	-
01-Jul-19	\$0.17 *	129,913	-	(129,913)	-	-
01-Nov-19	\$0.17 *	365,225	-	(365,225)	-	-
01-Nov-20	\$0.17	234,472	-	-	-	234,472
16-Oct-20	\$0.17	-	600,000	-	-	600,000
14-Nov-2021	\$0.25	-	1,150,000	-	-	1,150,000
14-Nov-2021	\$0.50	-	650,000	-	-	650,000
14-Nov-2021	\$0.75	-	350,000	-	-	350,000
14-Nov-2021	\$1.00	-	350,000	-	-	350,000
30-Sep-2021	\$0.31	-	200,000	-	-	200,000
30-Sep-2022	\$0.31	-	200,000	-	-	200,000
		969,427	3,500,000	(734,955)	-	3,734,472
Weighted average exercise price		\$0.17 *		\$0.15 *	NA	\$0.40

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 2018 is 1,161 days.



**ADALTA LTD**  
**ABN 92 120 332 925**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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> )
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**

2018	Short-term employee benefits		Post-employment benefits	Share-based payment	Total
	Salary & fees	Other	Superannuation	Options	
	\$	\$	\$	\$	\$
<b>Non-executive Directors</b>					
Paul MacLeman	60,771	-	4,229	3,396	68,396
James Williams	45,000	-	-	-	45,000
Liddy McCall	45,000	-	-	-	45,000
John Chiplin	45,000	-	-	2,264	47,264
Robert Peach	45,000	-	-	22,963	67,963
<b>Executive Directors</b>					
Samantha Cobb	260,000	66,300	30,999	32,415	389,714
<b>Total</b>	<b>500,771</b>	<b>66,300</b>	<b>35,228</b>	<b>61,038</b>	<b>663,337</b>

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**13. RELATED PARTY TRANSACTIONS (continued)**

2017	Short-term employee benefits		Post-employment benefits	Share-based payment	Total \$
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
<b>Non-executive Directors</b>					
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
<b>Executive Directors</b>					
Samantha Cobb	218,135	67,500	27,680	-	313,315
<b>Total</b>	<b>425,171</b>	<b>67,500</b>	<b>27,680</b>	-	<b>520,351</b>

\*Appointed 14 November 2016

Share options were issued to key management personnel as remuneration during the financial year as set out in the following table. 502,938 share options were exercised by key management personnel during the year (2017: 903,303).

2018	Balance at 1 July No.	Granted as compensation No.	Exercised	Balance at 30 June No.
Samantha Cobb	356,394	1,750,000	(356,394)	1,750,000
Paul MacLeman	146,544	30,000	(146,544)	30,000
James Williams	-	-	-	-
Liddy McCall	-	-	-	-
John Chiplin	-	20,000	-	20,000
Robert Peach	-	200,000	-	200,000
<b>Total</b>	<b>502,938</b>	<b>2,000,000</b>	<b>(502,938)</b>	<b>2,000,000</b>

2017	Balance at 1 July No.*	Granted as compensation No.*	Exercised*	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	-	-	-	-
<b>Total</b>	<b>1,406,241</b>	-	<b>(903,303)</b>	<b>502,938</b>

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**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 13th July 2018 the Company announced a placement of 14,166,667 fully paid ordinary shares at a price of \$0.30 per share to raise \$4.25m. Directors intend to take up a total of 522,450 shares, the issue of which will be subject to shareholder approval at the Annual General Meeting.

On 16<sup>th</sup> July, eligible shareholders were offered the opportunity to subscribe for up to \$15,000 per shareholder of new fully paid ordinary shares in AdAlta, free of brokerage and commission, under a Share Purchase Plan (SPP) at the same price as the Placement.

On 15 August 2018, the Company announced the Placement of 1,592,011 fully paid ordinary shares to eligible shareholders at a price of \$0.30 per share to raise \$477,603.

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 30 September 2018.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Payable – minimum lease payments</b>		
Not later than 12 months	8,060	18,200
Between 12 months and 5 years	-	-
Total	<u>8,060</u>	<u>18,200</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:

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**17. FINANCIAL RISK MANAGEMENT (Continued)**

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>i) Financial assets</i>			
Cheque account	5	Carried at face value.	The cheque account is at call with an interest rate of 0.00% (2017: 0.00%).
Cash reserve	5	Carried at face value.	The cash reserve account is at call with an interest rate of 0.01% (2017: 1.05%).
Savings	5	Carried at face value.	The savings bonus account is at call with an interest rate of 0.5% (2017: 1.54%).
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	9	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	11	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	11	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	11	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.

## **17. FINANCIAL RISK MANAGEMENT (Continued)**

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

**c) Financial risk management**

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

*(i) Market risk*

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

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

*(ii) Credit Risk*

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

*(iii) Liquidity Risk*

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

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

*(iv) Cash flow and fair value interest rate risk*

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

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

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	2018 \$	2017 \$
<b>18. DIVIDENDS</b>		
No dividends were paid or declared since the start of the financial year and no recommendation for payment of dividends has been made.		
<b>19. AUDITORS REUMERATION</b>		
<b>Audit services</b>		
Auditors of the Company		
Butler Settineri (Audit) Pty Ltd	24,943	21,092
<b>Other Services</b>		
Butler Settineri (Audit) Pty Ltd	-	8,000
	-	8,000
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>20. CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of Cash</b>		
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	26,514	20,189
Cash reserve account	1,139,562	275,009
Savings - bonus	1,139,972	929,419
Term Deposit	-	5,000,000
	2,306,048	6,224,617
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Loss attributable to members	(3,854,894)	(2,832,517)
Non-cash flows in profit:		
Depreciation	3,142	5,435
Loss on sale of plant and equipment	-	592
Prior year receivables classified as capital	-	(65,220)
(Increase) / decrease in receivables	(267,627)	(965,426)
Increase / (decrease) in payables	(766)	107,118
Increase / (decrease) in provisions	22,571	23,195
Shares based payments recognised	168,958	-
<b>Net cash provided by (used in) operating activities</b>	(3,928,616)	(3,726,823)

**DIRECTOR DECLARATION**

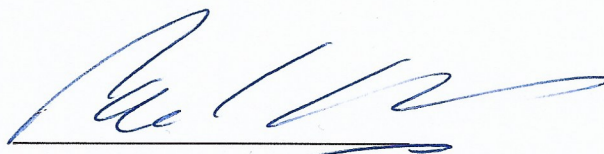
In accordance with a resolution of the Directors of AdAlta Ltd, the Directors of the Company declare that:

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 2018 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**

**5 September 2018**

## 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 2018, 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 2018 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****Intellectual Property Rights and Obligations arising from Research and Development Agreements**

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.

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.

**Equity and Capital Structure**

*Refer note 11*

During the year, the company successfully issued various options of which some have been exercised and fully paid ordinary shares issued.

**Research and Development Tax Incentive**

*Refer notes 2 and 6*

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.

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.

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.

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.

**Key Audit Matter****How our audit addressed the key audit matter**

<p><b>Deferred Taxation</b> <i>Refer note 3</i></p> <p>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.</p>	<p>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.</p>
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**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 2018, 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 2018.

In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2018, 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: 5 September 2018

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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 5 September 2018.

**(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	9	1,184	0.00%
1,001 - 5,000	67	204,279	0.17%
5,001 - 10,000	100	857,116	0.73%
10,001 - 100,000	301	13,155,358	11.07%
100,001 and over	75	102,275,725	88.09%
	<b>422</b>	<b>117,082,073</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of shares are 13, with total 7,224, amounting to 0.01% of Issued Capital.

**(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	46.17%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,485,363	9.81%
3	CITYCASTLE PTY LTD	5,361,856	4.58%
4	NATIONAL NOMINEES LIMITED	4,467,314	3.78%
5	MEURS HOLDINGS PTY LTD <P&M MEURS SUPERANNUATION A/C>	3,333,333	2.85%
6	LA TROBE UNIVERSITY	3,041,330	2.60%
7	MR ROBIN BEAUMONT & MS HELEN	1,888,559	1.61%
8	SAMANTHA COBB	1,443,843	1.23%
9	VEDDEREDDIE PTY LIMITED <QUIDDITY SF A/C>	1,000,000	0.85%
10	BARE SUPER PTY LTD <BALLARD READ SF A/C>	967,423	0.83%
11	QUTBLUEBOX PTY LTD	898,116	0.77%
12	JONTRA HOLDINGS PTY LTD	842,372	0.72%
13	JOHN CHIPLIN	810,883	0.69%
14	MICHAEL FOLEY	705,057	0.60%
15	CSIRO	614,621	0.52%
16	MR DANIEL NGU &	511,839	0.44%
17	PAUL MACLEMAN	439,636	0.38%
18	JAMES & MARY-ANNE KALOKERINOS	379,595	0.32%
19	DRACOSERPENS INVESTMENTS PTY LTD	364,911	0.31%
20	T T NICHOLLS PTY LTD	333,334	0.28%
	<b>Total</b>	<b>92,949,233</b>	<b>79.39</b>
	<b>Total Issued Capital</b>	<b>117,082,073</b>	<b>100.00%</b>

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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	46.17%
2	PLATINUM INVESTMENT MANAGEMENT LIMITED (HELD BY HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED)	11,333,400	9.68%

**(d) Unquoted equity securities:**

Number	Number of Holders	Class +	Holders of more than 20%
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)
600,000	3	Unlisted options exercisable at \$0.17 expiring 16/10/2020	Steve Felstead (200,000) Brian Richardson (200,000) John Westwick (200,000)
1,150,000	3	Unlisted options exercisable at \$0.25 and expiring 14/11/2021	Samantha Cobb (750,000) Michael Foley (200,000) Robert Peach (200,000)
650,000	4	Unlisted options exercisable at \$0.50 and expiring 14/11/ 2021	Samantha Cobb (500,000) Michael Foley (100,000) Paul MacLeman (30,000) John Chiplin (20,000)
350,000	2	Unlisted options exercisable at 75 cents and expiring 14/11/2021	Samantha Cobb (250,000) Michael Foley (100,000)
350,000	2	Unlisted options exercisable at 1 dollar and expiring 14/11/ 2021	Samantha Cobb (250,000) Michael Foley (100,000)
200,000	1	Unlisted options exercisable at 31 cents and expiring 30/09/2021	Dallas Hartman (200,000)
200,000	1	Unlisted options exercisable at 31 cents and expiring 30/09/2022	Dallas Hartman (200,000)

**(e) Use of funds**

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



