

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

**FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2019

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

**CORPORATE DIRECTORY**

**DIRECTORS**

Dr Paul MacLeman  
Ms Samantha Cobb (resigned 25 August 2019)  
Dr James Williams  
Ms Elizabeth McCall  
Dr John Chiplin  
Dr Robert Peach  
Dr Rosalind Wilson (appointed 1 August 2019)

**COMPANY SECRETARY**

Cameron Jones

**REGISTERED OFFICE**

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2 Park Drive  
Bundoora VIC 3083  
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Email: [enquiries@adalta.com.au](mailto:enquiries@adalta.com.au)  
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**STOCK EXCHANGE**

Australian Securities Exchange Limited  
Level 4, North Tower Rialto  
525 Collins Street  
Melbourne VIC 3000

**ASX CODE** 1AD

**SHARE REGISTRY**

Automic Registry Services  
Level 5  
126 Phillip Street  
Sydney NSW 2000  
Telephone: 1300 288 664  
Website: [automic.com.au](http://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

**ADALTA LTD**  
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## CHAIRMANS LETTER

During the year AdAlta hit many major milestones required for us to commence the first-in-human clinical trial for our lead fibrosis therapeutic, AD-214. We are on track to meet this major inflection point in January 2020. It is my pleasure therefore to start the FY2019 annual report looking back upon a year of significant de-risking of the AdAlta technology.

After many years of developing both AD-214 and the i-body platform, through which AD-214 was discovered, it is satisfying to be only a few months away from dosing the first patients. This is important, as we know from monitoring the international commercial landscape for drugs under development for Idiopathic Pulmonary Fibrosis, that there is significant precedent for drugs being acquired at the end of, or during, Phase I human studies.

Idiopathic Pulmonary Fibrosis is a rare disease with high unmet patient need and it is for this reason that these early stage deals are being executed. Marketed treatments show marginal efficacy and merely slow disease progression and do not halt or reverse the decline in lung function, meaning further treatment options are needed.

In January this year, advanced lung disease specialist, Associate Professor Glen Westall of Alfred Health presented at our annual analyst and investor briefing day. He expressed the need from a clinician's perspective for more patient treatment options and said, "we want therapeutics that have got better efficacy, without the side effects". While we have seen excellent indications from all our work to date that AD-214 provides high specificity and affiliation with the drug target CXCR4, the target we believe is responsible for fibrosis, the safety profile in humans will need to be proven in the Phase I study.

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

The significant value in therapeutics to treat Idiopathic Pulmonary Fibrosis was demonstrated by a series of early stage licensing deals during and after the reporting period. In July 2019, Boehringer Ingelheim licensed a Phase I Idiopathic Pulmonary Fibrosis drug from Korean biotech firm, Bridge Biotherapeutics, for a near-term payment of EU45 million and up to EU1.1 billion in milestone payments. In September 2018, United Therapeutics paid Samumed US\$10 million upfront for a Phase I asset and the potential for up to \$340 million in milestone payments. These transactions highlight the big pharma interest in acquiring fibrosis assets at an early stage and further validate the Company's business objectives.

To position the product for the human study, a considerable amount of resources has been invested into developing a validated manufacturing process for AD-214. As investors understand, manufacturing is a critical component in bringing biological drugs to market. In partnership with KBI Biopharma and Selexis, the Company was able to report manufacturing results which were above expectations, culminating in the successful completion of a demonstration run in June.

The demonstration run supplied materials for our key AD-214 animal toxicology study – another major milestone which commenced post year end. This is the final major step before the Phase I, first-in-human clinical trial for AD-214 is initiated. Results of the toxicology study are expected in October this year.

To fund the development program, during the period, two capital raisings of \$4.73 million and \$7 million, respectively, were completed. The funds raised enable AdAlta to hit major value inflection points for AD-214, including the commencement of our human study. The funds also support further investigation of our pipeline opportunities and the progression towards several partnering opportunities for our next-generation i-body platform.

The Company is targeting 1-2 partnerships with third parties on our i-body platform and is currently in advanced negotiations. If successful, these deals will generate early revenues for AdAlta and provide further validation of the strength of the i-body technology.

Also during the year, a collaborative partnership with UK-based research organisation, Excellerate Bioscience was formed to advance the development of the i-body platform. Through the partnership, AdAlta and Excellerate will identify i-bodies with unique efficacy, safety and duration and determine which are best-in-class for binding to hard-to-target drug targets, specifically G-Protein Coupled Receptors, which are involved in a wide range of diseases but many remain difficult to target by small molecule and traditional antibody therapeutics. AdAlta will screen its novel i-body library on a target of commercial interest and Excellerate Bioscience will evaluate the leads identified by AdAlta and enable the selection of superior drug candidates. AdAlta will then commercialise the outcomes of the project.

Post the period, our Managing Director and Chief Executive Officer, Sam Cobb resigned from her position after 12 years. As founding CEO, Sam grew AdAlta from a research-based start-up through to an ASX-listed company, which will soon commence a first-in-human clinical program. She has imparted leadership and energy during her time at AdAlta, and hands over a robust team and product development program, which enables the Company to execute upon the opportunities ahead of it. We appreciate the significant contribution that Sam has made to the Company and wish her well with her future endeavours.

As at the timing of writing this letter, the Company is well progressed in assessing a cohort of suitable CEO candidates.

On behalf of the Board, sincere thanks to our wider team for their tireless efforts throughout the year and to our investors for their continued support. AdAlta is in perhaps one of the most exciting periods of its history and looks forward to delivering strong results in the coming year.



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 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

### Information about the Directors

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

Name	Particulars
<b>Paul MacLeman</b> MBA, BVSc, Grad Dip Tech, Grad Cert Eng, GAICD, MATT	Executive Chairman (as announced on 12 August 2019), joined the Board 16 April 2015. Paul has over 25 years experience across the life sciences sector. With a career-spanning veterinary practice, pharmaceutical development and manufacturing, biotechnology, diagnostics and finance, Paul has expertise in capital raising, business development, technology commercialisation, and sales and marketing. He has 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 Managing Director and/or CEO of several VC funded, ASX, NASDAQ and TSX listed companies. Paul is also current Chairman of LiVac Pty Limited and is an Executive Director of AusCann Holdings Limited and Non-Executive Director of Sypharma Pty Limited.
<b>Samantha Cobb</b> BSc, MApL, GAICD	Managing Director / CEO, appointed 29 June 2007 (resigned 25 August 2019). 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.
<b>Dr James Williams</b> BSc (Hons), MBA, PhD, GAICD	Non-Executive Director, joined the Board 16 December 2010. James is a co-founder and Investment Director of Yuuwa Capital LP, a venture capital firm based in Western Australia. Prior to Yuuwa Capital, he was Managing Director of two medical device companies, ASX-listed Resonance Health Ltd and Argus Biomedical Pty Ltd, both of which secured regulatory approvals under his leadership. He conceived, co-founded and is a former CTO and Director of iCeutica, Inc., a clinical stage nano drug delivery company. iCeutica was acquired by Philadelphia-based Iroko Pharmaceuticals in 2011. Iroko received FDA approval for the first three iCeutica formulations between 2013 and 2015. James is Chairman of ASX-listed clinical stage drug discovery and development company Dimerix Ltd (ASX:DXB) and Director of Yuuwa investee companies PolyActiva Pty Ltd and iCetana Pty Ltd. He is also a Director of Linear Clinical Research Ltd, a specialist early phase clinical trial unit, a member of the "Panel of Experts" for the University of Western Australia's Pathfinder Fund and a member of the Australian Federal Government's Entrepreneur Program Committee.

**Elizabeth  
(Liddy) McCall,**

LLB., B.Juris,  
B.Com (Hons),  
GDipApFin (SIA),  
GAICD

Non-Executive Director, joined the Board 16 December 2010. Liddy is co-founder of 3 biotechnology companies successfully achieving 3 FDA drug registrations and 1 FDA/CE Mark medical device approval. She is an inventor on patents granted in major jurisdictions translating novel G-protein coupled pharmacology into a therapeutic drug treatment currently in Phase 2 clinical trials. Liddy co-founded IIF venture capital fund, Yuuwa Capital LP, which is responsible for a portfolio of 6 companies commercializing biotechnology and IT innovation. Liddy has over 25 years of experience in senior Board and management roles including iCeutica Inc group (acquired in 2011 achieving a ten-fold uplift on the valuation of the company), Dimerix Bioscience Pty Ltd (now Dimerix Limited ASX:DXB) and iCetana Pty Ltd. Liddy was an Associate Director in the Corporate Advisory Group of Macquarie Bank and prior to that worked as a lawyer with a leading Australian law firm. She has qualifications in law and finance. Liddy is on the Board of Ear Science Institute Australia and a committee member of the Australian Government Biomedical Translation Fund, and a non-executive director of Adalta Limited, Agworld Pty Ltd, Nexgen Plants Pty Ltd and The Tailor Made Spirits Company Limited.

**John Chiplin**

BPharm, PhD,  
MRPharmS

Non-Executive Director, appointed 16 May 2014. John has significant operational, investment and transaction experience in the life sciences and technology industries. Between 1995 and 2014, Dr Chiplin served as CEO of 3 leading publicly listed software, biotechnology and cancer immunotherapy companies. Based in London, Dr Chiplin's current board roles include Scancell (Chairman, SCLP.L), N4Pharma (Chairman, N4P.L) and Regeneus (RGS.AX). He is also MD of Newstar Ventures Ltd, an international private equity firm focused on emerging companies.

**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 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.

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**Rosalind  
(Ros) Wilson**

**(Appointed 1  
August 2019)**

MBBS, MBA

Ros is a graduate of Monash Medical School and holds an MBA from London Business School. She brings a wealth of experience, combined with scientific and business skills, through a successful career in clinical development and commercialisation within the global pharmaceutical and biotechnology sector. After a brief stint in clinical practice Ros joined the pharmaceutical industry and worked for F. Hoffman-La Roche (Roche) in Australia, the UK and the company's global headquarters in Basel, Switzerland over a 12-year period, across both primary and specialty care; and led the team that developed pertuzumab for HER2-overexpressing breast cancer. She has also led clinical research in the non-profit sector, developing the work of the Lung Foundation Australia's cooperative trials group for lung cancer, the ALTG (Australia and New Zealand Lung Cancer Trials Group); and served as Chief Executive Officer for Factor Therapeutics (ASX: FTT). Ros consults to a range of pharmaceutical and biotech companies, in Australia and overseas, with a focus on clinical research, product life-cycle and pipeline strategy.

The above-named Directors held office during the whole of the financial year and since the end of the financial year, with the exception of Dr Rosalind Wilson who was appointed on the 1 August 2019. Samantha Cobb's notice of resignation was accepted on 12 August 2019 and resigned as a Director on 25 August 2019.

**Directors' shareholdings as at the date of this report**

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 share Number	Options under ESOP Number	1ADO listed options under placement Number
Paul MacLeman	472,970	30,000	16,667
Samantha Cobb	1,443,843	1,750,000	-
James Williams <sup>1</sup>	54,293,182		66,667
Liddy McCall <sup>1</sup>	54,193,182		16,667
John Chiplin	1,000,000	20,000	-
Robert Peach	1,295,999	200,000	481,333
Rosalind Wilson	-	-	-

<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 fund 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 outsourced CFO, taxation (including R&D) and company secretarial solutions.



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**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**

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

<b>Number of shares under option</b>	<b>Class of shares</b>	<b>Exercise price of option</b>	<b>Expiry date of options</b>
600,000	Ordinary	\$0.17	16 October 2020
234,472	Ordinary	\$0.17	1 November 2020
23,348,803	Ordinary	\$0.25	30 June 2021
200,000	Ordinary	\$0.31	30 September 2021
775,000	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
620,535	Ordinary	\$0.24	27 February 2022
200,000	Ordinary	\$0.31	30 September 2022
375,000	Ordinary	\$0.25	1 November 2022

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

**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, ten Board meetings were held.

<b>Directors</b>	<b>Board of Directors</b>	
	<b>Held</b>	<b>Attended</b>
Paul MacLeman	10	10
Samantha Cobb	10	10
James Williams	10	8
Liddy McCall	10	9
John Chiplin	10	7
Robert Peach	10	6
Rosalind Wilson	-	-

**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.

No non-audit services were provided by the appointed auditors.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 20 of the financial report.

## **Operating and financial review**

### **Summary of principal activities**

The principal focus of AdAlta Limited (ASX: 1AD) over the last 12 months has been to continue to advance our lead i-body candidate, AD-214, toward the clinic for the treatment of Idiopathic Pulmonary Fibrosis (IPF).

I-bodies are a new class of small, targeted, fully-human protein treatments which are being used to make medicines for diseases previously considered 'undruggable'.

In May 2018, AdAlta significantly improved the design of its former lead i-body candidate, AD-114 by fusing two i-bodies to the Fc fragment of an antibody, a process known as Fc-fusion. The redesigned molecule, AD-214, has demonstrated significantly increased potency and greater half-life, or time that it remains in the body. This financial year, the Company's focus has been on manufacturing this novel lead therapeutic candidate and advancing it towards clinical development.

While AdAlta's primary focus is taking AD-214 through to a Phase I human clinical trial, the Company is also looking to expand its pipeline of i-body candidates through external partnerships and internal development.

### **Strategy**

AdAlta intends to further develop its novel i-body platform with a focus on its lead candidate AD-214. AD-214 is 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. During the financial year, AdAlta completed the manufacturing of AD-214 in order to provide materials for its four-week non-human primate study. The Company will now complete the Current Good Manufacturing Process (cGMP) manufacturing of AD-214, which will be followed by first in man studies with AD-214 to evaluate the drug's safety.

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 is focused on difficult drug targets. These targets are involved in a wide array of diseases, but many remain difficult to target using traditional small molecule and antibody-based medicines.

AdAlta's focus is to drug these "undruggable targets" with the i-body platform. In February, we were pleased to announce a collaboration with UK-based Excellerate Bioscience, focused on further develop AdAlta's i-body pipeline. We are also targeting of 1-2 partnership transactions with upfront payments (and future milestone and royalty payments) within the next 6-12 months using the i-body technology.

## **Financial Year 2019 – a year of advancement**

### **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, causing significant scarring of the lungs that manifests in severe breathing difficulties. IPF is a chronic and ultimately fatal disease.

IPF is categorised as a rare disease. However, each year, the condition 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 2018, sales of these two drugs were approximately \$2 billion. It is understood that these two drugs only work for about 30% of patients.

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 IPF.

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

The significant value in therapeutics to treat IPF 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 Boehringer Ingelheim, Roche and Bristol Myers Squibb.

During the financial year and beyond, there were several early-stage transactions completed with IPF drugs in development at the phase I stage. In July, Boehringer Ingelheim licensed a phase I IPF drug from Korean biotech firm, Bridge Biotherapeutics, for a near-term payment of EU45 million and up to EU1.1 billion in milestone payments. In September 2018, United Therapeutics paid US\$10 million upfront and will provide up to \$340 million in milestone payments for a phase I asset from Samumed. These transactions highlight the big pharma interest in acquiring fibrosis assets at an early stage – typically based on phase I results. AdAlta is planning to commence its phase I trial with AD-214 in January 2020.

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Date	Company	Product	Acquired by	Deal value (US\$)	Deal commentary
Jul-19	Bridge Biotherapeutics	BBT-877	BI	\$50m upfront + \$1.2B in milestone payments	Phase I single dose completed with Phase I still in progress
Sep-18	Samumed	SM04646	United Therapeutics	\$10m upfront + \$340m milestones	Undergoing Phase I, USA rights only
Sep-15	Adheron Therapeutics	SDP051	Roche	\$105m upfront, plus \$475m in milestones	SDP-51 at end of Phase I for IPF
Aug-15	Promedior	PRM-151	BMS	\$150m upfront + \$1.25B	Phase II IPF and myelofibrosis
Nov-14	Galecto Biotech AB	TD139	BMS	\$444m	Option to acquire at end of clinical POC (no later than 60 days following Ph 1b for IPF completion)
Aug-14	Intermune	Esbriet / Pirfenidone	Roche	\$8.3b	Approval in Europe / Japan, phase III in the US
Jun-13	MicroDose Therapeutx	MMI0100	Teva Pharmaceuticals	\$40m upfront \$125m milestones	MMI0100 was in pre-clinical development
Mar-12	Stromedix	STX100	Biogen Idec	\$75m upfront \$487.5m milestones	End of phase I for IPF
Jul-11	Amira / BMS	BMS-986020	BMS	\$325m upfront \$150m milestones	End of phase I for IPF

### Significant milestones achieved during the reporting period

#### Manufacturing AD-214

During the past year, AdAlta has focused on the cell line development and manufacturing of its lead i-body candidate, AD-214.

Initially Selexis SA optimised the expression of AD-214 in its proprietary cell line. In January, AdAlta announced that the expression levels were at 3gm/L, up from the initial levels of 1gm/L, which were reported in October 2018. Importantly, the improved results meant the Company was able to provide materials for its four-week Good Laboratory Practice (GLP) non-human primate toxicology study which commenced in July 2019.

With the cell line development completed at Selexis, KBI Biopharma further optimised the cell line expression and developed a purification process for AD-214. Several techniques were evaluated to determine the best method of removing unwanted protein and impurities, leaving pure AD-214. With the process and formulation optimised, AdAlta then completed a 50L confirmation run before moving to the larger demonstration run to provide materials for the four-week Good Laboratory Practice (GLP) non-human primate toxicology study.

KBI Biopharma will now look to complete the Current Good Manufacturing Practice (cGMP) manufacturing of AD-214 in order to provide materials for AdAlta's Phase I trial, due to commence in January 2020.

Milestone	Expected Date
Cell line development	February 2019 ✓
Optimisation of process development and formulation	March 2019 ✓
AD-214 material available for toxicity studies	June 2019 ✓
AD-214 material available for Phase I clinical study	December 2019




### **Commencement of GLP tox study**

AdAlta has initiated its four-week non-human primate study to evaluate the safety and toxicology of AD-214, which is being completed under Good Laboratory Practice (GLP) conditions. Data from this toxicology study is expected in the second half of 2019 and will inform the dosing regimen and safety readouts for AdAlta's human clinical trial.

The four-week non-human primate study is being undertaken with AD-214 materials from the recently completed demonstration run. AdAlta now remains focused on delivering material manufactured under Current Good Manufacturing Practice (cGMP) conditions which is necessary for its Phase I human study, expected to commence in January 2020.

A summary of the hurdles to be cleared during 2019 prior to the commencement of a human phase I clinical trial in January 2020 is outlined below. These include drafting the clinical trial protocol based on results from our four-week non-human primate study, human ethics approval, and setup at the Australian clinical trial site. The Phase I single ascending dosing study in healthy volunteers is expected to start in January 2020, followed by a multiple ascending dosing study in healthy volunteers. We expect these Phase I studies to be completed in June 2020 with final readouts in October 2020.



### **Partnering with the i-body platform**

In February, AdAlta formed a collaborative partnership to advance the Company's i-body pipeline, with UK-based research organisation, Excellerate Bioscience.

Through the partnership, the two companies will identify i-bodies with unique efficacy, safety and duration and determine which ones are best-in-class for binding to drug targets, specifically G protein-coupled receptors (GPCRs).

GPCRs are involved in a wide array of diseases including diabetes and obesity but many remain difficult to target by small molecule and traditional antibody therapeutics. Of the top 200 selling pharmaceuticals, 25% target a GPCR, with this approach yielding drug sales to the value of \$82 billion in 2016.

AdAlta will screen its novel i-body library on targets of commercial interest. Excellerate Bioscience will evaluate the leads identified by AdAlta, profile the distinct pharmacology and enable the selection of superior drug candidates. AdAlta will then commercialise the outcomes of the project.

Separately, AdAlta is focused on targeting of 1-2 partnership transactions with upfront payments, future milestone and royalty payments, within the next 6-12 months with the i-body technology.

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### **Summary of operating results**

The Company reported a loss for the year ended 30 June 2019, after accounting for income tax benefit, of (\$5,918,193) (30 June 2018: (\$3,854,894)). The year ended 30 June 2019 operating results are attributed to the following:

- Research and Development tax incentive refund: \$3,498,774 (30 June 2018: \$2,020,175);
- Cost of services expense of \$7,353,660 (30 June 2018: \$3,980,633); and
- Employment benefit expense of \$715,964 (30 June 2018: \$664,909).

### **Financial liquidity and capital resources**

During the financial year, AdAlta completed a Placement and Entitlement Offer which raised \$7 million of new funding. This funding will enable the Company to reach a number of key commercial milestones. The Company ended the financial year with \$5,555,875 cash at bank.

The Placement raised \$5 million from new and existing institutional and sophisticated investors. Tranche 1 of the Placement, totalling approximately \$3 million was settled prior to the end of the financial year. AdAlta also raised \$2 million via an Entitlement Offer to existing shareholders on the same terms as those offered to sophisticated and institutional investors under the Placement.

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 Entitlement Offer will see the Company achieve a number of major value inflection points with AD-214 into the clinic in January 2020.

### **Events after the reporting period**

On 3rd July 2019, the Company announced the completion of Tranche 2 of the Placement following approval at the Extraordinary General Meeting on the 27th June 2019. On 3 July 2019 13,732,581 Ordinary Shares were issued at \$0.15 per share.

On 1 August 2019, the Company appointed Dr. Rosalind (Ros) Wilson as a Non-Executive Director. Ros is a graduate of Monash Medical School and holds an MBA from London Business School. She brings a wealth of experience, combined with scientific and business skills, through a successful career in clinical development and commercialisation within the global pharmaceutical and biotechnology sector.

On 12 August 2019, the Company announced that it accepted the notice of resignation of Ms Samantha Cobb as Chief Executive Officer and Managing Director and the company had commence a domestic and international search for a new CEO. Prior to appointment of a new CEO, Mr Paul MacLeman will act as Executive Chairman supported by the broader Board. Samantha Cobb resigned as a Director on 25 August 2019.

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**

FY2020 is a critical period for AdAlta. During the period, the Company expects to commence and complete its first in man, Phase I clinical trial for our lead therapeutic, AD-214 in Idiopathic Pulmonary Fibrosis. Recent global deal benchmarks indicate that IPF drugs are often partnered during or at the end of Phase I trials, and in parallel with running the clinical trial, the Company will be focused on progressing discussions with potential partners.

As communicated recently, the team is also targeting 1-2 commercial partnerships with external parties interested in using AdAlta's i-body platform to treat diseases or solve challenging medical issues.

Finally, through the relationship with Excellerate Bioscience, AdAlta expects to further develop its own pipeline of drug candidates.

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The vision for AdAlta is of a company with multiple assets in the pipeline, at different stages, with some earning up front payments, royalties and milestones and others progressing through the R&D pathway. We have seen companies like Ablynx acquired for significant multiples under this strategy and believe that with a mix of good partnerships and strong science, we can bring this vision to bear.

FY2020 will be an exciting period for the Company and its shareholders as this strategy starts to take shape.

### **Environmental issues**

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

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 2019.

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:

<b>Non-executive Directors</b>	<b>Position</b>
<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
<b>Executive Directors</b>	
<b>Samantha Cobb</b>	Managing Director & CEO <i>(Resigned 25 August 2019)</i>

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 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.

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**Remuneration of key management personnel**

2019	Short-term employee benefits		Post-employment benefits	Share-based payment	Total \$
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
<b>Non-executive Directors</b>					
Paul MacLeman	59,361	-	5,639	-	65,000
James Williams <sup>1</sup>	45,000	-	-	-	45,000
Liddy McCall <sup>1</sup>	45,000	-	-	-	45,000
John Chiplin	45,000	-	-	-	45,000
Robert Peach	45,000	-	-	5,305	50,305
<b>Executive Directors</b>					
Samantha Cobb	260,000	46,685 <sup>2</sup>	29,135	12,423	348,243
<b>Total</b>	<b>499,361</b>	<b>46,685</b>	<b>34,774</b>	<b>17,728</b>	<b>598,548</b>

<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 fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

<sup>2</sup>Bonus paid in October 2018 as decided by the Board and remuneration committee.

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 <sup>2</sup>	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>

<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 fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

<sup>2</sup>Bonus paid as decided by the Board and remuneration committee.

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375,000 share options were issued to key management personnel as remuneration during the financial year as set out in the following table. No share options were exercised by key management personnel during the year (2018: 502,938)

	<b>Balance at</b>	<b>Granted as</b>	<b>Exercised</b>	<b>Net other</b>	<b>Balance at</b>
<b>2019</b>	<b>1 July No.</b>	<b>compensation</b>		<b>change</b>	<b>30 June No.</b>
		<b>No.</b>		<b>No.</b>	
Samantha Cobb	1,750,000	375,000	-	(375,000)*	1,750,000
Paul MacLeman	30,000	-	-	-	30,000
James Williams	-	-	-	-	-
Liddy McCall	-	-	-	-	-
John Chiplin	20,000	-	-	-	20,000
Robert Peach	200,000	-	-	-	200,000
<b>Total</b>	<b>2,000,000</b>	<b>375,000</b>	<b>-</b>	<b>(375,000)</b>	<b>2,000,000</b>

\*As announced on 29 April 2019 options issued to Samantha Cobb were cancelled as the vesting criteria will never be met as the criteria referred to the Company's previous lead compound of AD-114.

	<b>Balance at</b>	<b>Granted as</b>	<b>Exercised</b>	<b>Net other</b>	<b>Balance at</b>
<b>2018</b>	<b>1 July No.</b>	<b>compensation</b>		<b>change</b>	<b>30 June</b>
		<b>No.</b>		<b>No.</b>	<b>No.</b>
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>

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

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

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

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

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**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:

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

<sup>1</sup> Payments are made to Yuuwa Capital LP under a services agreement and not to James Williams and Elizabeth McCall

The Company has entered into consulting agreements with both Paul MacLeman (Chairman), Robert Peach, John Chiplin and Rosalind Wilson 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.

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

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

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

**Key management personnel equity holdings**

*Fully paid ordinary shares of AdAlta Limited*

	Balance at 1 July No.	Received on exercise of options No.	Net other change No.	Additions	Balance at 30 June No.
<b>2019</b>					
Samantha Cobb	1,443,843	-	-	-	1,443,843
Paul MacLeman	439,636	-	-	-	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	-	-	189,117	1,000,000
Robert Peach	-	-	-	333,333	333,333
Rosalind Wilson	-	-	-	-	-

<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 fund managed by its General Partner which is associated with James Williams and Elizabeth McCall

**ADALTA LTD**  
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	Balance at 1 July	Received on exercise of options	Net other change *	Additions	Balance at 30 June
<b>2018</b>	<b>No.</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 fund managed by its General Partner which is associated with James Williams and Elizabeth McCall

*Share Options of AdAlta Limited*

	Balance at 1 July	Granted as compensation	Cancelled	Balance at 30 June	Vested and exercisable	Options vested during year
<b>2019</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Samantha Cobb	1,750,000	375,000	(375,000)	1,750,000	-	-
Paul MacLeman	30,000	-	-	30,000	30,000	-
James Williams	-	-	-	-	-	-
Liddy McCall	-	-	-	-	-	-
John Chiplin	20,000	-	-	20,000	20,000	-
Robert Peach	100,000	-	-	100,000	100,000	-

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

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**

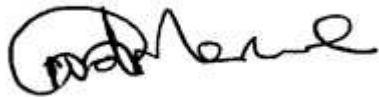
Melbourne, 28 August 2019

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of AdAlta Limited for the year ended 30 June 2019, 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 CA  
Director

Perth  
Date: 28 August 2019

**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)

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**

**INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Revenue</b>			
Interest Received		50,794	59,804
Other Revenue	2	<u>3,538,774</u>	<u>2,020,175</u>
		<u>3,589,568</u>	<u>2,079,979</u>
<b>Expenses</b>			
Cost of services		(7,353,660)	(3,980,633)
Depreciation and amortisation expenses	7	(32,498)	(3,142)
Employee benefit expense		(715,964)	(664,909)
Travel expense		(172,509)	(113,691)
Board fees		(245,000)	(245,000)
Patent and legal costs		(181,420)	(171,909)
Share based payments	12	(100,698)	(168,958)
Other expenses		(726,106)	(533,874)
Net foreign exchange (loss) / gain		<u>20,094</u>	<u>52,757</u>
		<u>(9,507,761)</u>	<u>(5,934,873)</u>
<b>Profit (loss) before income tax</b>		<b>(5,918,193)</b>	<b>(3,854,894)</b>
Tax expense	3	-	-
<b>Profit (loss) for the year</b>		<b><u>(5,918,193)</u></b>	<b><u>(3,854,894)</u></b>
<b>Earnings per Share</b>			
Basic and diluted loss per share (cents)	4	(5.00)	(3.81)

The accompanying notes form part of these financial statements.



**ADALTA LTD**  
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**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	5,555,875	2,306,048
Trade and other receivables	6	3,613,441	2,130,300
<b>TOTAL CURRENT ASSETS</b>		<u>9,169,316</u>	<u>4,436,348</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	138,105	-
Other non-current assets	8	2,600	2,600
<b>TOTAL NON-CURRENT ASSETS</b>		<u>140,705</u>	<u>2,600</u>
<b>TOTAL ASSETS</b>		<u>9,310,021</u>	<u>4,438,948</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,740,111	285,149
Provisions	10	78,801	81,168
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,818,912</u>	<u>366,317</u>
<b>TOTAL LIABILITIES</b>		<u>1,818,912</u>	<u>366,317</u>
<b>NET ASSETS</b>		<u>7,491,109</u>	<u>4,072,631</u>
<b>EQUITY</b>			
Issued capital	11	26,809,501	17,573,527
Reserves	12	273,564	172,866
Retained earnings (accumulated losses)		(19,591,956)	(13,673,762)
<b>TOTAL EQUITY</b>		<u>7,491,109</u>	<u>4,072,631</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 2019**

	Ordinary shares	Retained Earnings	Share based payment reserve	Unissued Share Reserve	Total
	\$	\$	\$	\$	\$
<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
<b>Balance at 1 July 2018</b>	17,573,527	(13,673,762)	172,866	-	4,072,631
<b>Comprehensive income</b>				-	
Profit (loss) for the year	-	(5,918,193)	-		(5,918,193)
<b>Total comprehensive income for the year attributable to the member of the company</b>	-	(5,918,193)	-	-	(5,918,193)
<b>Transactions with the owner, in capacity as owner and other transfers</b>					
Issue of Ordinary Shares	9,672,338	-	-	-	9,672,338
Cost of Issuing Shares	(716,632)	-	-	-	(716,632)
Cash received requiring approval to issue Ordinary Shares	-	-	-	280,267	280,267
Share Based Payments Recognised	-	-	100,698	-	100,698
<b>Total transactions with the owner and other transfers</b>	8,955,706	-	100,698	280,267	9,336,671
<b>Balance at 30 June 2019</b>	26,529,233	(19,591,955)	273,564	280,267	7,491,109

The accompanying notes form part of these financial statements.

**ADALTA LTD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(7,930,746)	(5,788,893)
R & D tax incentive		2,020,175	1,777,030
Interest received		50,486	83,247
Cash receipts from other operating activities		44,000	-
<b>Net cash provided by (used in) operating activities</b>	<b>20 (b)</b>	<u>(5,816,085)</u>	<u>(3,928,616)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		-	-
Payments for property, plant and equipment		(170,602)	(3,142)
<b>Net cash provided by (used in) investing activities</b>		<u>(170,602)</u>	<u>(3,142)</u>
<b>Cash flows from financing activities</b>			
Proceeds requiring approval to issue share capital		280,267	-
Proceeds from share capital		9,672,338	-
Proceeds from option conversions		-	13,189
Payment of share issue costs		(716,091)	-
<b>Net cash provided by financing activities</b>		<u>9,236,514</u>	<u>13,189</u>
Net increase (decrease) in cash held		3,249,827	(3,918,569)
Cash and cash equivalents at beginning of financial year		2,306,048	6,224,617
Cash and cash equivalents at end of financial year	<b>20 (a)</b>	<u>5,555,875</u>	<u>2,306,048</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 2019**

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 28 August 2019 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 \$5,918,193 (2018: \$3,854,894) and the Company had net cash outflows from operating activities of \$5,816,085 (2018: \$3,928,616). As at balance date, the Company had net current assets of \$7,210,841 (2018: \$4,072,631).

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 2019**

**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 (i.e. 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 2019**

**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
Plant and Equipment	28.57%	

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**

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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

**(f) Financial instruments (continued)**

**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).

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.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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

**(j) Employee Benefits (continued)**

**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.

**(k) 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.

**(l) 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.

**(m) Revenue**

**AASB 15 Revenue from contracts with customers**

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Research and Development Tax Incentive

Accounted for in line with AASB 120 Government Grants on an accruals basis when the following recognition criteria have been met.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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

**(m) Revenue (continued)**

- (a) the entity reasonably expects it will comply with the conditions attaching to the grant; and
- (b) the grant will be received.

**(n) 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.

**(o) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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.

**(p) Comparative Figures**

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

**(q) 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 2019**

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

**(r) New and Revised Accounting Standards Adopted by the Group**

The Company has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments which became effective for financial reporting periods commencing on or after 1 January 2018

*(i) AASB 15 Revenue from contracts with customers*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

*(ii) AASB 9 Financial Instruments*

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

As a result of adopting AASB 9 Financial Instruments, the Group has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Group designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group's financial assets and determined the application of AASB 9 does not result in a change in the classification of the financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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

**(s) New and revised Accounting Standards for Application in Future Periods**

**AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.**

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.

- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.

- AASB 16 contains disclosure requirements for leases.

*(i) Lessor accounting*

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

Estimated impact of AASB 16 on the Group when the standard is applied

Due to the adoption of AASB 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under AASB 117.

*(ii) Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUE AND OTHER INCOME</b>		
R & D Tax incentive *	3,498,774	2,020,175
Other revenue	40,000	-
Total other revenue	<u>3,538,774</u>	<u>2,020,175</u>
<b>3. TAX EXPENSE</b>		
<b>(a) Tax expense</b>		
Current tax	-	-
Deferred tax	-	-
Income tax expense	<u>-</u>	<u>-</u>
<b>(b) Tax reconciliation</b>		
Profit (loss) before income tax expense	<u>(5,918,193)</u>	<u>(3,854,894)</u>
Prima facie tax payable at 27.5%	(1,627,503)	(1,060,096)
Non deductible expenses	2,238,108	1,323,658
Non assessable income	(962,163)	(555,548)
Temporary differences	(52,128)	1,682
Benefits of tax losses not brought into account	<u>403,686</u>	<u>290,304</u>
	<u>-</u>	<u>-</u>
<b>(c)</b> The Company has revenue losses of approximately \$3,533,000 for which no deferred tax asset has been recognised.		
<b>(d)</b> The Company has no franking credits currently available for future offset.		
<b>4. EARNINGS PER SHARE</b>		
<b>(a)</b> Loss used to calculate basic EPS	(5,918,193)	(3,854,894)
	<b>Number of shares</b>	<b>Number of shares</b>
<b>(b)</b> Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS.	118,368,172	101,287,250
The 20,837,520 options (2018: 3,734,427) are not considered to be dilutive.		
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cheque account	124,849	26,154
Cash reserve account	1,419,794	1,139,562
Savings - bonus	-	1,139,972
Term Deposit	4,011,232	-
	<u>5,555,875</u>	<u>2,306,048</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$	\$
<b>6. TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Sundry receivable - R&D tax incentive *	3,498,774	2,020,175
Good and services tax	78,465	60,481
Prepaid expenses	35,895	49,644
Accrued income	308	-
	3,613,442	2,130,300
 <b>7. PLANT AND EQUIPMENT</b>		
Plant and Equipment	167,234	-
Less accumulated depreciation	(29,129)	-
	138,105	-
 Office equipment	13,418	10,049
Less accumulated depreciation	(13,418)	(10,049)
	-	-
<b>Total plant and equipment</b>	138,105	-
Movements in carrying amounts		
Movements in the carrying amounts for each class of		
<b>(a) Plant and Equipment</b>		
Balance at beginning of year	-	-
Additions	167,233	-
Disposals	-	-
Loss on sale	-	-
Depreciation expense	(29,128)	-
Balance at end of year	138,105	-
<b>(b) Office Equipment</b>		
Balance at beginning of year	-	-
Additions	13,418	3,142
Disposals	-	-
Loss on sale	-	-
Depreciation expense	(13,418)	(3,142)
Balance at end of year	-	-
 <b>8. OTHER ASSETS</b>		
<b>NON-CURRENT</b>		
Security Deposit/Bond	2,600	2,600
	2,600	2,600

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>CURRENT</b>		
Accrued expenses	209,929	169,955
Trade creditors	1,511,380	74,587
PAYG and super payable	18,802	40,607
	1,740,111	285,149
<b>10. PROVISIONS</b>		
<b>CURRENT</b>		
Provision for annual leave	21,874	28,983
Provision for long service leave	56,927	52,185
	78,801	81,168
<b>11. ISSUED CAPITAL</b>		
Fully paid ordinary shares	26,529,233	17,573,527
Cash received requiring approval to issue Ordinary Shares*	280,267	-
	26,809,501	17,573,527

\*On 3 July 2019 Ordinary Shares were issued.

**(a) Ordinary Shares**

	No.	No.
At beginning of reporting period	101,845,845	101,110,890
Issued on exercise of options	-	146,544
Issued on exercise of options in accordance with Limited Recourse Loan Agreements executed	-	588,411*
Issue of ordinary shares	48,723,581	-
At the end of the reporting period	150,569,426	101,845,845

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**11. ISSUED CAPITAL (continued)**

<b>(b) Options on issue</b>	<b>Number of options</b>
<b>Expiry date</b>	
16 October 2020	600,000
1 November 2020	234,472
30 June 2021	16,482,513*
30 September 2021	200,000
14 November 2021	775,000
14 November 2021	650,000
14 November 2021	700,000
27 February 2022	620,535
30 September 2022	200,000
1 November 2022	375,000
	20,837,520

\*1ADO options issued as outlined in the Prospectus issued dated 23 May 2019. Options are exercisable at 25 cents, expiring 30 June 2021

**12. RESERVES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Share Based Payment Reserve</b>		
At beginning of reporting period	172,866	3,908
Recognised during the year	100,698	168,958
At the end of the reporting period	273,564	172,866

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**12. RESERVES (continued)**

The weighted average remaining contractual life of options on issue at 30 June 2019 is 756 days.

Expiry Date	Exercise Price	No. at the start of year	Granted in the year	Exercised	Expired/Cancelled	No. at the end of year
1-Nov-20	\$0.17	234,472	-	-	-	234,472
16-Oct-20	\$0.17	600,000	-	-	-	600,000
14-Nov-21	\$0.25	1,150,000	-	-	(375,000)	775,000
14-Nov-21	\$0.50	650,000	-	-	-	650,000
14-Nov-21	\$0.75	350,000	-	-	-	350,000
14-Nov-21	\$1.00	350,000	-	-	-	350,000
30-Sep-21	\$0.31	200,000	-	-	-	200,000
30-Sep-22	\$0.31	200,000	200,000	-	(200,000)	200,000
1-Nov-22	\$0.25	-	375,000	-	-	375,000
27-Feb-22	\$0.24	-	620,535	-	-	620,535
30-Jun-21	\$0.25	-	16,482,513	-	-	16,482,513
		3,734,472	17,678,048	-	(575,000)	20,837,520
<b>Weighted average exercise price</b>		\$0.40				\$0.29

**13. RELATED PARTY TRANSACTIONS**

**Related Parties**

The Company's main related parties are as follows:

John Chiplin	Non-Executive Director (appointed 16 May 2014)
Elizabeth McCall	Non-Executive Director (appointed 16 December 2010)
James Williams	Non-Executive Director (appointed 16 December 2010)
Samantha Cobb	Managing Director & CEO (appointed 29 June 2007, resigned 25 August 2019)
Paul MacLeman	Chairman & Non-Executive Director (appointed 16 April 2015)
Robert Peach	Non-Executive Director (appointed 14 November 2016)
Rosalind Wilson	Non-Executive Director (appointed 1 August 2019)
Cameron Jones	Company Secretary (appointed 31 May 2017)

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.



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

**Remuneration of key management personnel**

2019	Short-term employee benefits		Post-employment benefits	Share-based payment	Total
	Salary & fees \$	Other \$	Superannuation \$	Options \$	
<b>Non-executive Directors</b>					
Paul MacLeman	59,361	-	5,639	-	65,000
James Williams <sup>1</sup>	45,000	-	-	-	45,000
Liddy McCall <sup>1</sup>	45,000	-	-	-	45,000
John Chiplin	45,000	-	-	-	45,000
Robert Peach	45,000	-	-	5,305	50,305
<b>Executive Directors</b>					
Samantha Cobb	260,000	46,685*	29,135	12,423	348,243
<b>Total</b>	<b>499,361</b>	<b>46,685</b>	<b>34,774</b>	<b>17,728</b>	<b>598,548</b>

<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 fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

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>

<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 fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

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

Share options were issued to key management personnel as remuneration during the financial year as set out in the following table. No share options were exercised by key management personnel during the year (2018: 502,938).

	<b>Balance at</b>	<b>Granted as</b>	<b>Cancelled</b>	<b>Balance at</b>
<b>2019</b>	<b>1 July No.</b>	<b>compensation</b>		<b>30 June</b>
		<b>No.</b>		<b>No.</b>
Samantha Cobb	1,750,000	375,000	(375,000)	1,750,000
Paul MacLeman	30,000	-	-	30,000
James Williams	-	-	-	-
Liddy McCall	-	-	-	-
John Chiplin	20,000	-	-	20,000
Robert Peach	200,000	-	-	200,000
<b>Total</b>	<b>2,000,000</b>	<b>375,000</b>	<b>(375,000)</b>	<b>2,000,000</b>

	<b>Balance at</b>	<b>Granted as</b>	<b>Exercised</b>	<b>Balance at</b>
<b>2018</b>	<b>1 July No.</b>	<b>compensation</b>		<b>30 June No.</b>
		<b>No.*</b>		
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>

**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.

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**15. EVENTS AFTER THE REPORTING PERIOD**

On 3<sup>rd</sup> July 2019, the Company announced the completion of Tranche 2 of the Placement following approval at the Extraordinary General Meeting on the 27<sup>th</sup> June 2019. On 3 July 2019 13,732,581 Ordinary Shares were issued at \$0.15 per share.

On 1 August 2019, the Company appointed Dr. Rosalind (Ros) Wilson as a Non-Executive Director. Ros is a graduate of Monash Medical School and holds an MBA from London Business School. She brings a wealth of experience, combined with scientific and business skills, through a successful career in clinical development and commercialisation within the global pharmaceutical and biotechnology sector.

On 12 August 2019, the Company announced that it accepted the notice resignation of Ms Samantha Cobb as Chief Executive Officer and Managing Director and the company had commence a domestic and international search for a new CEO. Prior to appointment of a new CEO, Mr Paul MacLeman will act as Executive Chairman supported by the broader Board.

Samantha Cobb resigned as a Director on 25 August 2019.

**16. COMMITMENTS FOR EXPENDITURE**

a) **Lease commitments**

The Company has a lease agreement with Collins Street Business Centre at the business address of Level 5, 330 Collins Street Melbourne. This lease terminates on 30 September 2019.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Payable – minimum lease payments</b>		
Not later than 12 months	7,932	8,060
Between 12 months and 5 years	-	-
Total	<u>7,932</u>	<u>8,060</u>

b) **Capital commitments**

The Company has no capital commitments.

c) **Other commitments**

The Company has significant expenditure expected to be incurred in relation to manufacturing costs for its Phase I human study.

**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% (2018: 0.00%).
Cash reserve	5	Carried at face value.	The cash reserve account is at call with an interest rate of 0.01% (2018: 1.05%).
Savings	5	Carried at face value.	The savings bonus account is at call with an interest rate of 0.25% (2018: 0.50%).
Term Deposit	5	Carried at face value.	The term deposit has an interest rate of 1.40% (2018: 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.

**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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**2019**  
**\$**

**2018**  
**\$**

**18. DIVIDENDS**

No dividends were paid or declared since the start of the financial year and no recommendation for payment of dividends has been made.

**19. AUDITORS REUMERATION**

**Audit services**

Auditors of the Company

Butler Settineri (Audit) Pty Ltd

19 576

24,943

**20. CASH FLOW INFORMATION**

**(a) Reconciliation of Cash**

Cash at the end of financial year as included in the statement of cash flows is reconciled to the related items in the statement of financial position as follows

Cheque account	124,849	26,514
Cash reserve account	1,419,794	1,139,562
Savings - bonus	-	1,139,972
Term Deposit	4,011,232	-
	<u>5,555,875</u>	<u>2,306,048</u>

**(b) Reconciliation of cash flow from operations with profit after income tax**

Loss attributable to members	(5,918,193)	(3,854,894)
Non-cash flows in profit:		
Depreciation	32,498	3,142
Shares based payments recognised	100,698	168,958
Changes in working capital:		
(Increase) / decrease in receivables	(1,483,140)	(267,627)
Increase / (decrease) in payables	1,454,961	(766)
Increase / (decrease) in provisions	(2,367)	22,571
Cost of issuing shares	(542)	-
<b>Net cash provided by (used in) operating activities</b>	<u>(5,816,085)</u>	<u>(3,928,616)</u>

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**DIRECTOR DECLARATION**


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

1. The financial statements and notes as set out on pages 26 to 44 presents fairly the Company's financial position as at 30 June 2019 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**



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**Paul MacLeman**

**Dated**

**28 August 2019**

## 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 2019, 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 2019 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

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

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

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

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

#### Key Audit Matters

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



Key Audit Matter	How our audit addressed the key audit matter
<p><b>Intellectual Property Rights and Obligations arising from Research and Development Agreements</b></p> <p>The Company has in place multiple agreements with research and development providers whereby certain services and facilities are supplied in exchange for payment. To enable the delivery of these services and facilities, the Company's intellectual property is made available to the research and development providers.</p> <p>Management have written specific clauses into the Research and Development Agreements to protect the Company's intellectual property rights and also exercise their judgment in interpreting the agreements and the recognition of any potential liabilities and/or commitments arising therefrom.</p>	<p>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.</p> <p>Furthermore, we reviewed the agreements to ensure clauses were present to protect the intellectual property rights of AdAlta Limited.</p>
<p><b>Equity and Capital Structure</b> <i>Refer note 11</i></p> <p>During the year, the company successfully issued fully paid ordinary shares as well as various options of which some have been exercised.</p>	<p>Our audit procedures included an examination of each issue of, fully paid ordinary shares during the year as shown in note 11. We also assessed whether or not share-based payments should have been recognised in relation to the Employee Share Option Plan. Further, we reconciled the third party share registry to information announced to the public.</p>
<p><b>Research and Development Tax Incentive</b> <i>Refer notes 2 and 6</i></p> <p>Management utilise key assumptions, judgements and estimates in determining the R&amp;D Tax Incentive disclosed in note 2 and 6 which is material to the financial statements.</p>	<p>Our audit procedures included an evaluation of the assumptions, methodologies and conclusions used by the Company in preparing the R&amp;D Tax Incentive application. We also focused on the adequacy of financial report disclosures regarding these assumptions as disclosed at note 1.</p>
<p><b>Deferred Taxation</b> <i>Refer note 3</i></p> <p>Management utilise key assumptions, judgements and estimates in calculating the deferred tax disclosed in note 1 which are material to the financial statements.</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. We also focused on the adequacy of financial report disclosures regarding these assumptions as disclosed at note 1.</p>

## **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 2019, 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 2019.

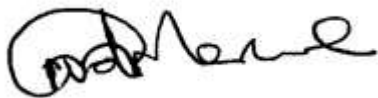
In our opinion, the Remuneration Report of AdAlta Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### ***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

A handwritten signature in black ink, appearing to read 'Marius van der Merwe', written over a faint circular stamp or watermark.

MARIUS VAN DER MERWE CA  
Director

Perth

Date: 28 August 2019

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**ABN 92 120 332 925**

**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 20 August 2018.

**(a) Distribution of equity securities**

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

i) Quoted Options, exercisable at \$0.25 expiring on 30 June 2021

	Number of holders	Number of units	% Issued Share
1 - 1,000	54	28,907	0.12%
1,001 - 5,000	69	167,109	0.72%
5,001 - 10,000	18	107,491	0.46%
10,001 - 100,000	71	2,620,875	11.22%
100,001 and over	26	20,424,421	87.48%
	<b>238</b>	<b>23,348,803</b>	<b>100.00%</b>

ii) Ordinary Shares

	Number of holders	Number of units	% Issued Share
1 - 1,000	10	314	0.00%
1,001 - 5,000	65	201,680	0.12%
5,001 - 10,000	84	700,893	0.43%
10,001 - 100,000	339	13,271,545	8.11%
100,001 and over	129	149,539,164	91.34%
	<b>627</b>	<b>163,713,596</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of shares are 58

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**(b) Voting rights**

**i) Options**

No voting rights. The names of the twenty largest holders of quoted options are:

<b>Position</b>	<b>Holder Name</b>	<b>Holding</b>	<b>% IC</b>
1	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	4,274,768	18.31%
2	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,874,071	16.59%
3	UBS NOMINEES PTY LTD	2,557,397	10.95%
4	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,494,508	10.68%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,333,334	5.71%
6	JAGEN PTY LTD	1,250,001	5.35%
7	MEURS HOLDINGS PTY LTD <P&M MEURS SUPERANNUATION A/C>	833,334	3.57%
8	Robert Peach	481,333	2.06%
9	CITYCASTLE PTY LTD	335,000	1.43%
10	MR STUART ROSS MORRIS	280,063	1.20%
11	NATIONAL NOMINEES LIMITED	256,205	1.10%
12	DARBY TO PTY LTD <FAMILY A/C>	208,333	0.89%
12	GACHIS ADVISORY LTD	208,333	0.89%
13	YUNGABURRA PTY LTD <SAMPSON FAMILY S/F A/C>	200,000	0.86%
13	MR ALISTAIR DAVID STRONG	200,000	0.86%
14	BOYLAN CONSULTANCY PTY LTD	199,999	0.86%
15	SACAVIC PTY LTD <MORRIS SUPER FUND A/C>	187,692	0.80%
16	MARCO AUSTRALIA PTY LIMITED <SUPERANNUATION FUND A/C>	175,223	0.75%
17	MCKELL PLACE NOMINEES PTY LTD	167,499	0.72%
18	MR DARREN CRAIKE	166,666	0.71%
19	MR ANDREW FREDERICK TROWSE & MRS PHILIPPA MARY TROWSE <A F TROWSE SUPER FUND A/C>	150,000	0.64%
20	MR ROBIN BEAUMONT & MS HELEN SHINGLER	134,476	0.58%
	<b>Total</b>	<b>19,968,235</b>	<b>85.52%</b>
	<b>Total quoted options</b>	<b>23,348,803</b>	<b>100.00%</b>

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**ii) Ordinary Shares**

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:

<b>Position</b>	<b>Holder Name</b>	<b>Holding</b>	<b>% Issued Share Capital</b>
1	YUUWA CAPITAL LP	54,059,848	33.02%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,202,030	8.67%
3	BRISPOT NOMINEES PTY LTD	8,210,633	5.02%
4	CITYCASTLE PTY LTD	6,031,856	3.68%
5	NATIONAL NOMINEES LIMITED	5,209,640	3.18%
6	MEURS HOLDINGS PTY LTD	5,000,001	3.05%
7	CS THIRD NOMINEES PTY LIMITED	4,989,013	3.05%
8	UBS NOMINEES PTY LTD	4,956,272	3.03%
9	LA TROBE UNIVERSITY	3,041,330	1.86%
10	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,024,517	1.85%
11	CS FOURTH NOMINEES PTY LIMITED	2,963,826	1.81%
12	JAGEN PTY LTD	2,500,000	1.53%
13	MR ROBIN BEAUMONT & MS HELEN SHINGLER	2,157,500	1.32%
14	Robert Peach	1,295,999	0.79%
15	BARE SUPER PTY LTD	1,277,358	0.78%
16	SAMANTHA COBB	1,087,449	0.66%
17	JOHN CHIPLIN	1,000,000	0.61%
17	VEDDEREDDIE PTY LIMITED	1,000,000	0.61%
18	JONTRA HOLDINGS PTY LTD	938,097	0.57%
19	QUTBLUEBOX PTY LTD	898,116	0.55%
20	DR GRAEME LESLIE MERRINGTON	800,000	0.49%
	<b>Total</b>	<b>124,643,485</b>	<b>76.14%</b>
	<b>Total quoted ordinary shares</b>	<b>163,713,596</b>	<b>100.00%</b>

**(c) Substantial shareholders**

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

<b>Position</b>	<b>Shareholder</b>	<b>Number of Shares</b>	<b>% IC</b>
1	YUUWA CAPITAL LP	54,059,848	32.90%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,202,030	8.64%
3	BRISPOT NOMINEES PTY LTD	8,210,633	5.00%

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**(d) Unquoted equity securities:**

<b>Number</b>	<b>Number of holders</b>	<b>Class</b>	<b>Holders of more than 20%</b>
588,411	2	ORDINARY FULLY PAID RESTRICTED	Samantha Cobb (356,394) Michael Foley (232,017)
234,472	3	Unlisted options exercisable at 17 cents and expiring 1 November 2020	David McGibney (117,236) Brian Richardson (58,618) John Westwick (58,618)
600,000	3	Unlisted options exercisable at 17 cents and expiring 16 October 2020	Stephen Felstead (200,000) John Westwick (200,000) Brian Richardson (200,000)
775,000	3	Unlisted options exercisable at 25 cents and expiring 14 November 2021	Samantha Cobb (375,000) Michael Foley (200,000) Robert Peach (200,000)
650,000	4	Unlisted options exercisable at 50 cents and expiring 14 November 2021	Samantha Cobb (500,000) Michael Foley (100,000)
350,000	2	Unlisted options exercisable at 75 cents and expiring 14 November 2021	Samantha Cobb (250,000) Michael Foley (100,000)
350,000	2	Unlisted options exercisable at 1 dollar and expiring 14 November 2021	Samantha Cobb (250,000) Michael Foley (100,000)
200,000	1	Unlisted options exercisable at 31 cents and expiring 30 September 2022	Dallas Hartman (200,000)
375,000	1	Unlisted options exercisable at 25 cents and expiring 1 November 2022	Samantha Cobb (375,000)
200,000	1	Unlisted options exercisable at 31 cents and expiring 30 September 2021	Dallas Hartman (200,000)
620,535	3	Unlisted options exercisable at 24 cents and expiring 27 February 2022	Brian Richardson (206,845) John Westwick (206,845) Stephen Felstead (206,845)

**(e) Use of funds**

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