

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

FINANCIAL REPORT
FOR THE PERIOD
1 JULY 2015 TO 29 FEBRUARY 2016

ADALTA LTD
ABN 92 120 332 925

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ADALTA LTD
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STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2016

	Note	29 February 2016 \$	30 June 2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	889,671	34,864
Trade and other receivables	3	18,831	52,847
TOTAL CURRENT ASSETS		<u>908,502</u>	<u>87,711</u>
NON-CURRENT ASSETS			
Plant and equipment		510	966
TOTAL NON-CURRENT ASSETS		<u>510</u>	<u>966</u>
TOTAL ASSETS		<u><u>909,012</u></u>	<u><u>88,677</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	82,580	232,649
Provisions	5	31,550	28,532
TOTAL CURRENT LIABILITIES		<u>114,130</u>	<u>261,181</u>
TOTAL LIABILITIES		<u><u>114,130</u></u>	<u><u>261,181</u></u>
NET ASSETS (LIABILITIES)		<u><u>794,882</u></u>	<u><u>(172,504)</u></u>
EQUITY			
Issued capital - ordinary shares	6	2,490,333	2,490,279
Issued capital - series A preference shares	6	2,999,998	2,999,998
Convertible notes	6	2,160,000	1,035,000
Reserves		3,908	3,908
Retained earnings (accumulated losses)		(6,859,357)	(6,701,689)
TOTAL EQUITY (DEFICIT)		<u><u>794,882</u></u>	<u><u>(172,504)</u></u>

The accompanying notes form part of these financial statements.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

	Note	Period ended 29 February 2016 \$	Year ended 30 June 2015 \$
Revenue	2	884,601	827,928
Cost of services		(693,757)	(1,712,080)
Depreciation and amortisation expenses		(456)	(723)
Employee benefits expense		(164,350)	(203,007)
Travel expenses		(44,597)	(47,728)
Board fees		(33,335)	(52,032)
Patent and legal costs		(63,293)	(83,837)
Other expenses		<u>(42,481)</u>	<u>(108,842)</u>
Profit (loss) before income tax		(157,668)	(1,380,321)
Income tax expense	13	<u>-</u>	<u>-</u>
Loss attributable to members of the company		(157,668)	(1,380,321)
Other comprehensive income (loss) for the year		<u>-</u>	<u>-</u>
Total comprehensive loss attributable to members of the company		<u><u>(157,668)</u></u>	<u><u>(1,380,321)</u></u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

	Ordinary shares	Share Capital Series A preference shares	Convertible notes	Share based payment reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	2,490,279	2,999,998	1,035,000	3,908	(5,321,368)	1,207,817
Comprehensive income						
Loss for the year	-	-	-	-	(1,380,321)	(1,380,321)
Total comprehensive income for the year attributable to the member of the company	-	-	-	-	(1,380,321)	(1,380,321)
Balance at 30 June 2015	2,490,279	2,999,998	1,035,000	3,908	(6,701,689)	(172,504)
Balance at 1 July 2015	2,490,279	2,999,998	1,035,000	3,908	(6,701,689)	(172,504)
Comprehensive income						
Loss for the year	-	-	-	-	(157,668)	(157,668)
Total comprehensive income for the year attributable to the member of the company	-	-	-	-	(157,668)	(157,668)
Transactions with the owner, in capacity as owner and other transfers						
Issues during the period	54	-	1,125,000	-	-	1,125,054
Total transactions with the owner and other transfers	54	-	1,125,000	-	-	1,125,054
Balance at 29 February 2016	2,490,333	2,999,998	2,160,000	3,908	(6,859,357)	794,882

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

	Note	29 February 2016	30 June 2015
		\$	\$
Cash flows from operating activities			
Receipts from customers		-	23,158
Payments to suppliers and employees		(1,154,848)	(2,224,366)
ATO R & D tax incentive received		878,394	805,942
Interest received		6,207	12,828
Net cash used in operating activities		<u>(270,247)</u>	<u>(1,382,438)</u>
Cash flows from financing activities			
Proceeds issue of convertible notes		1,125,000	1,035,000
Proceeds from share capital		54	-
Net cash provided by financing activities		<u>1,125,054</u>	<u>1,035,000</u>
Net increase (decrease) in cash held		854,807	(347,438)
Cash and cash equivalents at beginning of financial year		34,864	382,302
Cash and cash equivalents at end of financial year	7	<u><u>889,671</u></u>	<u><u>34,864</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ("AASB"). The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The following significant accounting policies have been adopted in the preparation of these financial statements. The Company's prior year accounts were special purpose financial statements prepared on an accrual basis. The accounting policies that have been adopted in the preparation of the financial statements are as follows:

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

The preparation of financial statements requires the use of certain critical accounting estimates and requires that management exercise its judgement in the process of applying the Company's accounting policies. Due to the nature of the Company's activities there are no major areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements.

(a) Revenue recognition

The Company recognises revenue as follows:

Contract research income is recognised in accordance with the terms of the relevant contract which may be based on the achievement of specific milestone based.

Grant income is recognised when invoiced under the terms of the relevant grant.

The R & D tax incentive is recognised on receipt.

Interest income is recognised on receipt.

(b) Cash and Cash Equivalents

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Comparative Figures

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

The 2016 figures are for the reporting period 1 July 2015 to 29 February 2016.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

	29 February 2016	30 June 2015
	\$	\$
2. REVENUE		
Contract research	-	(374)
R & D tax incentive	878,394	805,942
Grant income	-	9,532
Interest income	6,207	12,828
	<u>884,601</u>	<u>827,928</u>
3. TRADE AND OTHER RECEIVABLES		
Good and services tax	13,581	46,547
Prepaid expenses	5,250	6,300
	<u>18,831</u>	<u>52,847</u>
4. TRADE AND OTHER PAYABLES		
Accrued expenses	78,595	229,002
PAYG and super payable	3,985	3,647
	<u>82,580</u>	<u>232,649</u>
5. PROVISIONS - CURRENT		
Provision for annual leave	7,616	6,438
Provision for long service leave	23,934	22,094
	<u>31,550</u>	<u>28,532</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

	29 February 2016	30 June 2015
	\$	\$
6. ISSUED CAPITAL		
Fully paid ordinary shares	2,490,333	2,490,279
Series A preference shares	2,999,998	2,999,998
Convertible notes	2,160,000	1,035,000
	<u>7,650,331</u>	<u>6,525,277</u>

Shares have no par value.

	Number of securities
Fully paid ordinary shares	
Balance brought forward	2,065,000
Issue of shares	<u>53,500</u>
Balance at the end of the period	<u>2,118,500</u>

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.

	Number of securities
Series A preference shares	
Balance brought forward	2,999,998
Movement during the year	<u>-</u>
Balance at the end of the period	<u>2,999,998</u>

Each Series A preference share will have a fully paid issue price of \$1.00 and will enjoy the same rights as an ordinary share, except to the extent detailed below.

The holder of a series A preference share (prior to its conversion into an ordinary share) is entitled to repayment of the funds subscribed for the issue of the series A preference share (including funds paid for the exercise of an option, the result of which exercise the series A preference share is issued) in priority to the repayment of capital of the holders of ordinary shares ("liquidity preference"). The liquidity preference is only payable in the event of a sale (of the company's assets) for less than the minimum value. The liquidity preference is not payable for any event of a sale (of the company's assets) equal to or in excess of the minimum value.

	Number of securities
Convertible notes	
Balance brought forward	1,035,000
Mezzanine Finance	<u>1,125,000</u>
Balance at the end of the period	<u>2,160,000</u>

Convertible note holders are not entitled to participate in dividends and have no voting rights until such time they are converted to Series A preference shares.

Under the Mezzanine Note Subscription Agreement dated 26 November 2015 there is an additional \$500,000 of funding available to the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

	29 February 2016	30 June 2015
	\$	\$
7. CASH FLOW INFORMATION		
Reconciliation of Cash		
Cheque account	215,441	11,841
Cash reserve account	653,229	2,242
Savings - bonus	21,001	20,781
	889,671	34,864
	889,671	34,864

8. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 29 February 2016.

9. COMMITMENTS

The Company had no commitments for expenditure as at 29 February 2016.

10. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 29 February 2016 that has significantly affected, or may significantly affect the company's financial position operations, or the results of those operations in future financial years.

11. OPTIONS ON ISSUE

Expiry Date	Options on issue	Total options granted and remaining
27 June 2016	43,000	43,000
1 July 2018	24,903	24,903
21 September 2018	3,509	3,509
1 November 2018	65,000	65,000
1 July 2019	49,806	49,806
1 November 2019	139,612	139,612
1 November 2020	40,000	40,000
	365,830	365,830
	365,830	365,830

The Options can be exercised and converted into Ordinary Shares for \$1 per option. For all options except those expiring 1 November 2020, the Exercise price of 50% of options will be reduced to \$0.001 if exercised within 3 months of vesting and the Exercise price of the remaining 50% of options will be reduced to \$0.50 if exercised within 12 months of vesting. Options must otherwise be exercised within 3 years of vesting, or within 6 months of leaving the Company.

The balance of the option reserve at \$3,908 is considered to be a reasonable estimate of the value of options on issue.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2015 TO 29 FEBRUARY 2016

12. RELATED PARTY TRANSACTIONS

The following individuals were Directors of the Company during the period:

John Chiplin
Liddy McCall
James Williams
Samantha Cobb
Paul MacLeman

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

	29 February 2016	30 June 2015
	\$	\$
Key management personnel compensation	197,685	255,039

13. INCOME TAX EXPENSE

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	-	-

(b) Numerical reconciliation of income tax expense and tax at the statutory rate

Profit before income tax expense	(157,668)	(1,380,321)
Tax at the statutory tax rate of 30%	(47,300)	(414,096)
Tax effect of temporary differences	(9,465)	(8,560)
Benefits of tax losses not brought to account	56,765	422,656
Current tax expense	-	-

The company has unrecognised revenue losses as at 30 June 2015 of \$164,827.

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of AdAlta Ltd, the directors of the company declare that:

- 1 The financial statements and notes thereto comply with the Australian Accounting Standards - Reduced Disclosure Requirements;
- 2 The financial statements and notes thereto present fairly the company's financial position as at 29 February 2016 and its performance for the period 1 July 2015 to 29 February 2016 in accordance with the accounting policies described in Note 1 to the financial statements;
- 3 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.

Director



7 April 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of AdAlta Limited for the period from 1 July 2015 to 29 February 2016, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 7 April 2016

INDEPENDENT AUDITOR'S REVIEW CONCLUSION TO THE MEMBERS OF ADALTA LIMITED

Report on the financial report

We have reviewed the accompanying financial report of AdAlta Limited ("the Company") which comprises the statement of financial position as at 29 February 2016 and the statement of profit and loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the period from 1 July 2015 to 29 February 2016, notes comprising a statement of significant accounting policies and other selected explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements including giving a true and fair view of the Company's financial position as at 29 February 2016 and its performance for the period from 1 July 2015 to 29 February 2016. As the auditor of AdAlta Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain the assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of AdAlta Limited is not in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements including:

- a) giving a true and fair view of the Company's financial position as at 29 February 2016 and of its performance for the period 1 July 2015 to 29 February 2016; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 7 April 2016