

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	AdAlta Limited
ABN	92 120 332 925
Financial Year Ended	30 June 2018
Previous Corresponding Reporting Period	12 months ended 30 June 2017

Part 2 – Results for Announcement to the Market

	2018	2017	Increase/ (Decrease)	Change
	\$	\$	\$	%
Revenue from ordinary activities	2,079,979	1,967,680	112,299	6%
Loss from ordinary activities after tax attributable to members	(3,854,894)	(2,832,517)	(1,022,377)	-36%
Net loss attributable to members	(3,854,894)	(2,832,517)	(1,022,377)	-36%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Not Applicable

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year Ended 30 June 2018 \$	Year Ended 30 June 2017 \$
Revenue			
Interest received		59,804	170,926
Other revenue	9(a)	2,020,175	1,796,754
Expenses			
Cost of services		(3,980,633)	(3,598,678)
Depreciation and amortisation		(3,142)	(5,435)
Employee benefits expense		(664,909)	(404,669)
Travel expense		(113,691)	(76,575)
Board fees		(245,000)	(207,037)
Patent and legal costs		(171,909)	(73,310)
Share based payments		(168,958)	-
Other expenses from ordinary activities	9(b)	(533,874)	(434,493)
Net foreign exchange (loss) / gain		(52,757)	-
Loss before income tax		(3,854,894)	(2,832,517)
Income tax expense		-	-
Loss after income tax for the year		(3,854,894)	(2,832,517)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss attributable to members of AdAlta Limited		(3,854,894)	(2,832,517)

Part 5 – Consolidated Accumulated losses

	Year Ended 30 June 2018 \$	Year Ended 30 June 2017 \$
Accumulated losses at the beginning of the year	(9,818,868)	(6,986,351)
Loss for the year	<u>(3,854,894)</u>	<u>(2,832,517)</u>
Accumulated losses at the end of the year	<u><u>(13,673,762)</u></u>	<u><u>(9,818,868)</u></u>

Part 6 – Consolidated Statement of Financial Position

	Year Ended 30 June 2018 \$	Year Ended 30 June 2017 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,306,048	6,224,617
Trade and other receivables	2,130,300	1,862,673
Other current assets	-	-
Total current assets	<u>4,436,348</u>	<u>8,087,290</u>
Non-current assets		
Plant and equipment	-	-
Other non-current assets	<u>2,600</u>	<u>2,600</u>
Total non-current assets	<u>2,600</u>	<u>2,600</u>
Total assets	<u><u>4,438,948</u></u>	<u><u>8,089,890</u></u>
LIABILITIES		
Current liabilities		
Trade and other payables	285,149	285,915
Provisions	<u>81,168</u>	<u>58,957</u>
Total current liabilities	<u>366,317</u>	<u>344,512</u>
Non-current liabilities		
Total non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>366,317</u>	<u>344,512</u>
Net assets	<u><u>4,072,631</u></u>	<u><u>7,745,378</u></u>
EQUITY		
Contributed equity	17,573,527	17,560,338
Reserves	172,866	3,908
Accumulated losses	<u>(13,673,762)</u>	<u>(9,818,868)</u>
Total equity	<u><u>4,072,631</u></u>	<u><u>7,745,378</u></u>

Part 7 – Consolidated Statement of Cash Flows

	Year Ended 30 June 2018 \$	Year Ended 30 June 2017 \$
Cash flows from operating activities		
Payments to suppliers and employees	(5,788,893)	(4,632,076)
R & D tax incentive	1,777,030	738,046
Interest received	83,247	147,483
Grants received		19,724
Net cash provided by (used in) operating activities	<u>(3,928,616)</u>	<u>(3,726,823)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	1,000
Payments for property, plant and equipment	(3,142)	(6,745)
Payments for other assets	-	(2,600)
Net cash provided by (used in) investing activities	<u>(3,142)</u>	<u>(8,345)</u>
Cash flows from financing activities		
Proceeds from share capital		10,000,000
Proceeds from option conversions	13,189	58,984
Payments of share issue costs		(584,757)
Net cash provided by financing activities	<u>13,189</u>	<u>9,474,227</u>
Net increase/ (decrease) in cash held	(3,918,569)	5,739,059
Cash and cash equivalents at beginning of financial year	6,224,617	485,558
Cash and cash equivalents at end of financial year	<u>2,306,048</u>	<u>6,224,617</u>

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

The loss from ordinary activities before income tax includes the following items of revenue and expense:

	Year Ended 30 June 2018 \$	Year Ended 30 June 2017 \$
REVENUES AND EXPENSES		
(a) Other revenue		
Research and development tax incentive	2,020,175	1,777,030
Grant income	-	19,724
	<u>2,020,175</u>	<u>1,796,754</u>
(b) Other expenses		
Audit	24,943	29,092
Accounting	55,564	61,925
Marketing	138,897	145,135
Subscriptions	37,903	30,902
Other	276,567	167,439
	<u>(533,874)</u>	<u>(434,493)</u>

Part 10 – Commentary on Results

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

- Research and Development tax incentive refund: \$2,020,175* (2017: \$1,777,030) *The 2018 R & D Tax incentive is subject to approval of the Overseas Finding application lodged with AusIndustry on 20 March 2018.
- Cost of services expense of \$3,980,633 (2017: \$3,598,678); and
- Employment benefit expense of \$664,909 (2017: \$404,669).

Part 11 – Notes to the Consolidated Statement of Cash Flows

	Year Ended 30 June 2018 \$	Year Ended 30 June 2017 \$
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	26,514	20,189
Cash reserve account	1,139,562	275,009
Savings - bonus	1,139,973	929,419
Term Deposit	-	5,000,000
	<u>2,306,048</u>	<u>6,224,617</u>
Reconciliation of cash flow from operations with profit after income tax		
Loss attributable to members	(3,854,894)	(2,832,517)
Non-cash flows in profit:		
Depreciation	3,142	5,435
Loss on sale of plant and equipment	-	592
Prior year receivables classified as capital	-	(65,220)
(Increase) / decrease in receivables	(267,627)	(965,426)
Increase / (decrease) in payables	(766)	107,118
Increase / (decrease) in provisions	22,571	23,195
Shares based payments recognised	168,958	-
Net cash provided by (used in) operating activities	<u>(3,928,616)</u>	<u>(3,726,823)</u>

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 13 – Loss per Share

	Year Ended 30 June 2018	Year Ended 30 June 2017
Basic (loss) per share	(3.81 cents)	(3.15 cents)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	101,287,250	90,035,620
As the Company is in a loss position there is no diluted earnings per share calculated.		

Part 14 – Net Tangible Assets per Security

	30 June 2018	30 June 2017
Net tangible asset backing per ordinary security (cents)	4.00	7.66

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	Nil
Date deregistered	Nil
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	30/06/18 %	30/06/17 %	Year ended 30/06/18 \$A'000	Year ended 30/06/17 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associate	N/A	N/A	N/A	N/A
Joint Venture Entities	N/A	N/A	N/A	N/A
Aggregate Share of Losses	N/A	N/A	N/A	N/A

Part 17 – Issued Securities

	Year ended 30 June 2018	Year ended 30 June 2017
ISSUED CAPITAL		
Fully paid ordinary shares	17,573,527	17,560,338
Fully paid Series A Preference shares	-	-
Fully paid convertible notes	-	-
	<u>17,573,527</u>	<u>17,560,338</u>
Ordinary Shares		
	No.	No.
At beginning of reporting period	101,110,890	12,418,223
Issued on exercise of options	734,955	1,110,874
Issued as part of share split	-	-
Issue of ordinary shares	-	40,000,000
Conversion of Preference Shares	-	21,594,477
Conversion of Convertible Notes	-	25,987,316
At the end of the reporting period	<u>101,845,845</u>	<u>101,110,890</u>
Series A Preference Shares		
	No.	No.
At beginning of reporting period	-	2,999,998
Conversion to Ordinary Shares	-	(2,999,998)
At the end of the reporting period	<u>-</u>	<u>-</u>
Convertible Notes		
	No.	No.
At beginning of reporting period	-	2,660,000
Mezzanine Finance	-	-
Conversion to Ordinary Shares	-	(2,660,000)
At the end of the reporting period	<u>-</u>	<u>-</u>

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
234,472	Ordinary	\$0.17	1 November 2020
600,000	Ordinary	\$0.17	16 October 2020
1,150,000	Ordinary	\$0.25	14 November 2021
650,000	Ordinary	\$0.50	14 November 2021
350,000	Ordinary	\$0.75	14 November 2021
350,000	Ordinary	\$1.00	14 November 2021
200,000	Ordinary	\$0.31	30 September 2021
200,000	Ordinary	\$0.31	30 September 2022

Part 18 – Segment Information

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Board considers that the Company has only operated in one segment.

Part 19 – Subsequent Events

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

On 16th July 2018, eligible shareholders were offered the opportunity to subscribe for up to \$15,000 of new fully paid ordinary shares in AdAlta, free of brokerage and commission, under a Share Purchase Plan (SPP) at the same price as the placement.

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

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.

Part 20 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: Not applicable
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: Not applicable