Adveritas Limited **(formerly Tech Mpire Limited)**
ABN 88 156 377 141

Half-Year Financial Report
31 December 2018

Adveritas Limited

Corporate directory

Directors

Non-Executive Chairman	Mr Stephen Belben
Managing Director	Mr Mathew Ratty
Non-Executive Director	Mr Renaud Besnard

Company Secretary

Ms Susan Hunter

Registered and Principal Office

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Bentley WA 6102

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Share Registry

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Securities Exchange Listing

Adveritas Limited shares are listed on the Australian Securities Exchange (ASX: AV1)

Solicitors

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited
150 St Georges Terrace
Perth WA 6000

Auditors

Ernst & Young
The EY Building
11 Mounts Bay Road
Perth WA 6000

Reporting period

Current period:	Half-year ended 31 December 2018
Previous corresponding period:	Half-year ended 31 December 2017

Results for announcement to market

Continuing Revenue from ordinary activities	up	100%	to	$245,392	from	-
Loss from ordinary activities after tax attributable to members	down	25%	to	($2,411,865)	from	($3,449,509)
Net loss for the period attributable to members	down	25%	to	($2,411,865)	from	($3,449,509)

The financial information for the previous corresponding period, being the half-year ended 31 December 2017, has been restated to treat the Company's performance-marketing division as a discontinued operation.

Dividends

	Amount per share	Franked amount per share
Final	$ nil	n/a
Interim	$ nil	n/a

Record date for determining entitlements to dividends: n/a

Brief explanation necessary to enable the figures above to be understood

Refer to Directors' Report.

Net tangible assets

31 December 2018	Net tangible asset backing: 2.72 cents per share
31 December 2017	Net tangible asset backing: 8.73 cents per share

Other

On 31 July 2018, Adveritas Limited disposed of 90% of its equity interest in Canadian entity Mpire Network Inc as a result of its decision to move away from performance-marketing. The Company's performance-marketing division has been classified as a discontinued operation in the financial report for the current period and was classified as assets held for sale and a discontinued operation in the financial statements for the year ended 30 June 2018. The comparative financial information for the half-year ended 31 December 2017 has been restated to recognise the performance-marketing division as a discontinued operation.

The Company has no equity interests in any associates or joint ventures.

Accounting standards used in relation to the Company's foreign subsidiaries in compiling this financial report are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The directors present their report together with the financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as **the Group**) for the half-year ended 31 December 2018 and the independent auditor's review thereon.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Stephen Belben (Non-Executive Chairman)
Mr Mathew Ratty (Managing Director and Chief Executive Officer)
Mr Renaud Besnard

Principal Activities

The Company's principal activity during the period was the provision of comprehensive digital advertising fraud prevention through its software as a service (SaaS), TrafficGuard®, which was launched commercially on 1 July 2018.

The Company is focussed on growing the business in three key areas:

- Strategic partnerships with aligned tech platforms which will enable TrafficGuard® to expand its reach and allow adoption within partner client bases;
- Expanding operations into North America to service the world's largest digital advertising market and be able to service businesses in every time zone; and
- Evolving the TrafficGuard® fraud-prevention technology to provide impression level fraud prevention for use across programmatic advertising.

Review of operating results

The Company completed the closure of its performance-marketing division through the sale of 90% of its interest in Mpire Network Inc on 31 July 2018. The sale generated cash proceeds of $500,000 upfront, with a deferred consideration of $400,000 being payable in the second half of the financial year. The Company remains a party to a 3 year profit share agreement pursuant to which it can earn a maximum of $6,000,000.

In October 2018, the Company successfully completed an entitlements issue, raising $2.4 million (before costs). Off the back of this capital raise, the Company secured an additional $250,000 through a placement at 7.5 cents per share which represented a premium of 67% over the entitlements issue pricing.

Following the commercial launch of the Company's fraud mitigation product, TrafficGuard®, on 1 July 2018, there have been a number of achievements, including:

- On boarding of key clients such as Omnicom Media Group MENA (Middle East and North Africa)
- Contracts signed with customers in the key target segments of: media agencies, advertising networks and direct advertisers
- Strong pipelines for future customers as a result of multiple trial agreements being entered into
- Launch of partner program, TrafficGuardians, which helps clients identify transparent and safe traffic sources
- Memorandum of Understanding entered into with Chinese digital marketing consultancy, SparkX, which will facilitate the Company's entry into China
- Product development milestones met ahead of schedule, ensuring both mobile and website verticals can be revenue producing
- TrafficGuard received an award for Mobile Marketing Innovation at the MarTech BreakThrough awards.

As a consequence of the Company divesting of its performance-marketing division, it has been classified as a discontinued operation in the financial report. The comparative information for the half-year ended 31 December 2017 has been restated accordingly.

The Company recorded a loss of before tax from continuing operations of $2,490,613 which was lower than that recorded for the restated comparative period of $3,863,295. The company continues to minimise expenditure in all non-critical areas. The Company's cash at bank was $3,928,260 as at 31 December 2018 (30 June 2018: $4,054,816).

Rounding of amounts

Amounts in this report and the financial report have been rounded to the nearest dollar, unless otherwise indicated.

Auditor's independence declaration

The Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included following the Directors' Report and forms part of the Directors' Report.

Directors' authorisation

This report is made in accordance with a resolution by the Board of Directors and is signed by authority for and behalf of the directors.

Mathew Ratty
Managing Director

Perth, Western Australia
21 February 2019

Ernst & Young
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Auditor's Independence Declaration to the Directors of Adveritas Limited

As lead auditor for the review of the financial report of Adveritas Limited for the half-year ended 31 December 2018, I declare 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.

This declaration is in respect of Adveritas Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

G Lotter
Partner
21 February 2019

	Note	For the six months ended 31 December 2018 $	31 December 2017 (Restated) $
Continuing Operations			
Revenue	**4**	**245,392**	-
Other income	**5(a)**	**1,349,569**	41,892
Server hosting costs		**(626,218)**	(349,766)
Administration costs	**5(e)**	**(275,553)**	(348,082)
Compliance costs	**5(f)**	**(167,463)**	(172,640)
Consultancy costs	**5(d)**	**(313,071)**	(109,689)
Employment costs	**5(b)**	**(2,444,406)**	(2,384,148)
Occupancy costs	**5(c)**	**(141,248)**	(88,297)
Marketing costs		**(95,619)**	(42,813)
Bad and doubtful debts expense	**5(g)**	**(3,611)**	(1,000)
Share based payments	**10**	**(116,183)**	(158,939)
Foreign exchange differences		**117,531**	(222,382)
Finance costs		**-**	(21)
Depreciation		**(19,733)**	(27,410)
Overheads		**(4,085,574)**	(3,905,187)
Loss before income tax		**(2,490,613)**	(3,863,295)
Income tax benefit / (expense)	**7**	**(11,452)**	8,646
Loss for the period from continuing operations attributable to the members of Adveritas Limited		**(2,502,065)**	(3,854,649)
Discontinued Operations			
Profit / (loss) after tax for the period from discontinued operations	**6**	**90,200**	405,140
Loss for the period attributable to the members of Adveritas Limited		**(2,411,865)**	(3,449,509)
Other comprehensive income net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**21,155**	(35,771)
Total comprehensive loss for the period attributable to the members of Adveritas Limited		**(2,390,710)**	(3,485,280)
Loss per share attributable to the members of Adveritas Limited			
Basic loss per share (cents)		**(2.20)**	(4.79)
Diluted loss per share (cents)		**(2.20)**	(4.79)

Adveritas Limited
Interim consolidated statement of financial position as at 31 December 2018

	Note	As at 31 December 2018 $	30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents		**3,928,260**	4,054,816
Trade and other receivables	**8**	**785,605**	148,118
Assets held for sale		**-**	1,154,520
Total current assets		**4,713,865**	5,357,454
Non-current assets			
Plant and equipment		**67,536**	70,704
Investments	**9**	**113,525**	-
Goodwill		**34,000**	34,000
Total non-current assets		**215,061**	104,704
Total assets		**4,928,926**	5,462,158
Liabilities			
Current liabilities			
Trade and other payables		**618,877**	691,122
Provisions		**195,003**	271,079
Liabilities directly associated with the assets held for sale		**-**	715,917
Total current liabilities		**813,880**	1,678,118
Non-current liabilities			
Provisions		**119,528**	18,129
Total non-current liabilities		**119,528**	18,129
Total liabilities		**933,408**	1,696,247
Net assets		**3,995,518**	3,765,911
Equity			
Contributed equity	**15**	**24,347,135**	22,586,507
Share based payment reserve		**3,518,142**	2,658,453
Foreign currency translation reserve		**33,501**	12,346
Accumulated losses		**(23,903,260)**	(21,491,395)
Total equity		**3,995,518**	3,765,911

	Note	For the six months ended 31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Receipts from customers		**731,552**	10,360,718
Payments to suppliers and employees		**(4,775,312)**	(13,435,387)
Grant income received		**955,868**	-
Other income received		**11,735**	63,808
Interest received		**4,997**	16,017
Interest paid		**(943)**	(30,871)
Income tax refund received		**20,378**	-
Income tax paid		**(21,491)**	-
Net cash flows used by operating activities		**(3,073,216)**	(3,025,715)
Cash flows from investing activities			
Purchase of plant and equipment		**(15,703)**	(18,394)
Proceeds on disposal of controlled entity		**500,000**	-
Disposal of cash through sale of controlled entity		**(348,192)**	-
Net cash inflows generated / used by investing activities		**136,105**	(18,394)
Cash flows from financing activities			
Proceeds from issues of shares		**2,647,986**	3,000,000
Share issue costs paid		**(143,853)**	(120,000)
Net short term advances under debtor financing facility		**61,398**	(896,359)
Net cash flows provided by financing activities		**2,565,531**	1,983,641
Net decrease in cash and cash equivalents		**(371,580)**	(1,060,468)
Cash and cash equivalents at the beginning of the period		**4,231,884**	8,202,204
Effect of exchange rate changes on cash and cash equivalents		**67,956**	(312,119)
Cash and cash equivalents at the end of the period		**3,928,260**	6,829,617

Adveritas Limited

Interim consolidated statement of changes in equity for the half-year ended 31 December 2018

	Contributed equity $	Accumulated losses $	Share based payments reserve $	Foreign currency translation reserve $	Total equity $
Balance at 1 July 2018	**22,586,507**	**(21,491,395)**	**2,658,453**	**12,346**	**3,765,911**
Loss for the half-year	-	(2,411,865)	-	-	(2,411,865)
Other comprehensive income					
Net foreign exchange differences arising on translation of foreign operations	-	-	-	21,155	21,155
Total comprehensive loss for the half-year	**-**	**(2,411,865)**	**-**	**21,155**	**(2,390,710)**
Ordinary shares issued	2,647,986	-		-	2,647,986
Share issue costs	(900,688)	-		-	(900,688)
Share based payments expense	-	-	873,019	-	873,019
Shares issued on vesting of Class D performance rights	13,330	-	(13,330)	-	-
Transactions with equity holders in their capacity as owners	**1,760,628**	**-**	**859,689**	**-**	**2,620,317**
Balance at 31 December 2018	**24,347,135**	**(23,903,260)**	**3,518,142**	**33,501**	**3,995,518**
Balance at 1 July 2017	17,157,235	(13,982,000)	5,096,104	(67,255)	8,204,084
Loss for the half-year	-	(3,449,509)	-	-	(3,449,509)
Other comprehensive income					
Net foreign exchange differences arising on translation of foreign operations	-	-	-	(35,771)	(35,771)
Total comprehensive loss for the half-year	-	(3,449,509)	-	(35,771)	(3,485,280)
Ordinary shares issued	3,000,000	-	-	-	3,000,000
Share issue costs	(120,000)	-	-	-	(120,000)
Share based payments Expense	-	-	158,939	-	158,939
Shares issued on vesting of Class B performance rights	2,549,272	-	(2,549,272)	-	-
Transactions with equity holders in their capacity as owners	5,429,272	-	(2,390,333)	-	3,038,939
Balance at 31 December 2017	22,586,507	(17,431,509)	2,705,771	(103,026)	7,757,743

1. Corporate information

The interim consolidated financial statements of Adveritas Limited and its subsidiaries (collectively, **the Group**) for the six months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 21 February 2019.

Adveritas Limited (**the Company**) is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The principal activities of the Group are described in the Directors' report.

2. Basis of preparation

a) General information

The interim consolidated financial statements for the six months ended 31 December 2018 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2018.

The half-year financial statements are presented in Australian dollars.

b) Accounting policies, disclosures, standards and interpretations

Basis of preparation

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018, other than as set out below.

Comparative financial information

On 31 July 2018, Adveritas Limited disposed of 90% of its equity interest in Canadian entity Mpire Network Inc as a result of its decision to move away from performance-marketing. The Company's performance-marketing division has been classified as a discontinued operation in the financial report for the current period and was classified as assets held for sale and a discontinued operation in the financial statements for the year ended 30 June 2018. The comparative financial information for the half-year ended 31 December 2017 has been restated to recognise the performance-marketing division as a discontinued operation.

New standards, interpretation and amendments adopted by the Group

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date. The Group will assess the impact of these new standards during the reporting period to which they are applicable

(a) AASB 15 Revenue from Contracts with Customer

The Group applies, for the first time, AASB15 Revenue from Contracts with Customers.

AASB 15 supersedes AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is 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 disposed of its main revenue generating operating entity on 31 July 2018. Consequently, adoption of AASB 15 has had no significant impact on the Group and therefore no retrospective adjustments have been made.

2. Basis of preparation (continued)

b) Accounting policies, disclosures, standards and interpretations (continued)

(a) AASB 15 Revenue from Contracts with Customer (continued)

As required for the interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing of revenue and cash flows are affected by economic factors. Refer to Note 4 for the disclosure on disaggregated revenue

Revised Revenue policy:

Revenue from software as a service is recognised when an identified performance obligation is satisfied and the customer obtains and accepts control of the Company's service.

Taxes collected from customers relating to service sales and remitted to governmental authorities are excluded from revenues.

(b) AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces aspects of 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.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has adopted AASB 9 retrospectively in accordance with the standard; changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the Company's consolidated financial statements.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income ("FVOCI") - debt investment;
- FVOCI - equity investment; or
- Fair Value through Profit or Loss ("FVTPL")

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

As of 31 December 2018, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

Cash and cash equivalents and trade and other receivables previously designated as receivables under AASB 139 are now classified as amortised cost under AASB 9. The trade and other payables are designated as other financial liabilities, which are measured at amortised cost.

The cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to their short-term nature.

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:
The three levels of the fair value hierarchy are:

2. Basis of preparation (continued)

b) Accounting policies, disclosures, standards and interpretations (continued)

(a) AASB 9 Financial Instruments (continued)

- Level 1 - Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Values based on inputs, including quoted prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 - Values based on prices or valuation techniques that are not based on observable market data.

c) Significant estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Refer to the most recent annual financial report for the year ended 30 June 2018 for a discussion of the significant estimates and judgments.

d) Going concern

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half-year ended 31 December 2018, the Group incurred a net loss after tax of $2,502,065 and a net cash outflow from operating activities of $3,073,216. The cash and cash equivalents balance, as at 31 December 2018 was $3,928,260. The Group's net current asset position at 31 December 2018 was $3,899,985.

The ability of the Group to pay its trade creditors, employee entitlements, and continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and/or raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by raising further funds as required. In forming this view, the directors have considered the ability of the Company to raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. Segment information

The Company's focus has shifted away from performance marketing and is instead directed towards the commercialisation of its core product, TraffifGuard®. The Company disposed of its performance marketing division on 31 July 2018. This division has been designated as a discontinued operation in the financial information reported for the current period. The financial information for the prior period has also been restated to reflect the performance marketing division as a discontinued operation.

The Group's key operating segment is its technology division which is responsible for the development and maintenance of the Group's proprietary software platforms, nxus and TrafficGuard. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia. The Group also maintains an office in Singapore which is responsible for marketing the Group's products in the Asia Pacific region.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

For the six months ended 31 December 2018	Technology	Other	Consolidated
	$	$	$
Revenue	245,392	-	245,392
Other income	967,603	374,484	1,342,087
Overheads	(2,029,927)	(2,035,915)	(4,065,842)
EBITDA	(816,932)	(1,661,431)	(2,478,363)
Reconciliation of reportable segment loss			
EBITDA	(816,932)	(1,661,431)	(2,478,363)
Interest income	-	7,483	7,483
Interest expense	-	-	-
Depreciation	(16,663)	(3,070)	(19,733)
Income tax expense	(11,452)	-	(11,452)
Loss after income tax	(845,047)	(1,657,018)	(2,502,065)

For the six months ended 31 December 2017	Technology	Other	Consolidated
	$	$	$
Revenue	-	-	-
Other income	25,875	-	25,875
Overheads	(2,235,278)	(1,642,478)	(3,877,756)
EBITDA	(2,209,403)	(1,642,478)	(3,851,881)
Reconciliation of reportable segment loss			
EBITDA	(2,209,403)	(1,642,478)	(3,851,881)
Interest income	-	16,017	16,017
Interest expense	(21)	-	(21)
Depreciation	(25,686)	(1,724)	(27,410)
Income tax benefit	8,646	-	8,646
Loss after income tax	(2,226,464)	(1,628,185)	(3,854,649)

3. Segment information (continued)

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2018 and 30 June 2018, respectively.

As at 31 December 2018	Technology	Other	Consolidated
	$	$	$
Assets	**690,776**	**4,238,150**	**4,928,926**
Liabilities	**699,283**	**234,125**	**933,408**

As at 30 June 2018	Continuing operations		Discontinued operation Performance Marketing	
	Technology	Other		Consolidated
	$	$	$	$
Assets	734,607	3,573,031	1,154,520	5,462,158
Liabilities	551,150	429,180	715,917	1,696.247

As the discontinued operation was disposed of prior to 31 December 2018, the assets and liabilities classified as held for sale as at 30 June 2018 and included in the segment note at 30 June 2018 are no longer included in the segment note as at 31 December 2018.

4. Revenue

	Consolidated	
	For the six months ended	
	31 December 2018	31 December 2017
	$	$
Revenue from contracts with customers	**245,392**	-
Analysis of revenue by type of goods or services		
Software as a Service (SaaS) revenue	**245,392**	-
Analysis of revenue by timing of revenue recognition		
Services transferred over time	**245,392**	-

Revenue from SaaS is recognised in the accounting period in which the services are rendered.

Revenue is based on the price specified in the sales contract, net of any discounts at the time of sale. No element of financing is deemed present as the sales are made with a credit term of up to 30 days, which is consistent with market practice.

5. Other income and expense items

This note provides a breakdown of the items included in 'other income' and items included in material overheads shown in the Statement of Profit or Loss and Other Comprehensive Income from continuing operations.

		Consolidated	
		For the six months ended	
		31 December 2018 $	31 December 2017 (Restated) $
(a)	**Other income**		
	Research and development grant	**955,868**	-
	Profit on disposal of controlled entity (refer note 6)	**374,484**	-
	Interest income	**7,482**	16,017
	Miscellaneous income	**11,735**	25,875
		1,349,569	41,892
(b)	**Employment costs**		
	Salaries and wages	**1,914,581**	1,783,443
	Ancillary employment costs	**414,454**	342,293
	Other	**115,371**	258,412
		2,444,406	2,384,148
(c)	**Occupancy costs**		
	Rent and variable outgoings	**124,724**	72,935
	Other	**16,524**	15,362
		141,248	88,297
(d)	**Consultancy costs**		
	Legal	**135,558**	23,884
	Investor relations	**93,817**	67,142
	Other	**83,696**	18,663
		313,071	109,689
(e)	**Administration costs**		
	IT costs	**149,695**	125,026
	Office and general administration costs	**79,805**	74,846
	Travel	**46,053**	148,209
		275,553	348,081
f)	**Compliance costs**		
	Accounting fees	**5,820**	5,860
	ASX compliance fees	**94,067**	93,797
	Tax advice and compliance fees	**63,029**	72,436
	Regulatory body fees	**4,547**	547
		167,463	172,640
(g)	**Bad and doubtful debts expense**		
	Trade receivables doubtful debts provision	**3,611**	-
	Trade receivables bad debt expense	**-**	1,000
		3,611	1,000

6. Discontinued Operation

In May 2018, the Company, via its wholly owned subsidiary, Livelynk Group Pty Ltd (**Livelynk**), entered into an indicative, confidential and non-binding term sheet with Canadian performance marketplace, ClearPier Inc (**ClearPier**), pursuant to which Livelynk agreed to sell 90% of its equity interest in Mpire Network Inc (**Mpire Network**).

At 30 June 2018, Mpire Network was classified as a disposal group held for sale and as a discontinued operation.

On 31 July 2018, Livelynk completed the sale of 90% of Mpire Network, to ClearPier for a cash consideration of $900,000 ($500,000 received upfront and $400,000 deferred) plus a maximum of $6,000,000 under a 3 year profit share agreement. A pre-tax gain of $373,484 has been recognised in the interim consolidated statement of profit or loss and other comprehensive income.

The results of the discontinued operation are presented below:

	For the six months ended	
	31 December 2018	31 December 2017
	$	$
Revenue	**562,616**	10,345,719
Cost of services rendered	**(342,707)**	(8,213,501)
Gross Profit	**219,909**	2,132,218
Other income	**-**	37,933
Administration costs	**(18,314)**	(107,562)
Compliance costs	**(12,931)**	-
Consultancy costs	**(6,446)**	(26,982)
Employment costs	**(99,656)**	(1,314,182)
Occupancy costs	**(6,444)**	(38,194)
Marketing costs	**(1,905)**	(158,415)
Bad and doubtful debts expense	**13,524**	(512,756)
Foreign exchange differences	**(62,848)**	(13,836)
Finance costs	**(943)**	(64,690)
Depreciation	**-**	(11,269)
Overheads	**(195,963)**	(2,247,886)
Profit / (loss) before income tax	**23,946**	(77,735)
Income tax benefit	**66,254**	482,875
Profit / (loss) after tax for the period	**90,200**	(405,140)

The net cash flows generated from the sale of Mpire Network are as follows:

	$
Cash proceeds received	**500,000**
Cash sold as part of the disposal of Mpire Network	**(348,192)**
Net cash inflow on date of disposal	**151,808**

6. Discontinued Operation (continued)

The net cash flows generated / (incurred) by the discontinued operation are as follows:

	For the six months ended	
	31 December 2018	31 December 2017
	$	$
Operating	**(102,508)**	446,104
Investing	**-**	(4,448)
Financing	**274,052**	(877,087)
Net cash inflow / (outflow)	**171,544**	(435,431)

As Mpire Network was disposed of prior to 31 December 2018, the assets and liabilities classified as held for sale as at 30 June 2018 are no longer included in the statement of financial position.

7. Income tax expense

The Group calculates the period income tax benefit using the tax rate that would be applicable to the expected total annual earnings.

The income tax benefit applicable to the accounting loss before income tax at the statutory income tax rate is reconciled to the income tax benefit at the Company's effective income tax rate for the period below:

	Consolidated	
	For the six months ended	
	31 December 2018	31 December 2017
	$	$
Accounting profit / (loss) before tax from continuing operations	**(2,490,613)**	(3,863,295)
Accounting profit / (loss) before tax from discontinued operations	**23,946**	(77,735)
	(2,466,667)	(3,941,030)
Income tax benefit at the statutory income tax rate of 27.5% (2017: 30%)	**678,333**	1,182,309
Adjusted for:		
Non-deductible share-based payments	**(31,949)**	(47,682)
Other non-deductible amounts	**(17,528)**	(46)
Profit on disposal of controlled entity	**102,983**	-
Non-assessable R&D grant income	**262,864**	-
Tax losses and temporary differences not recognised as a deferred tax asset	**(1,007,132)**	(1,170,386)
Over provision for income tax in prior periods	**66,254**	515,391
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	**977**	11,935
	54,802	491,521
Income tax benefit / (expense) reported in the statement of profit or loss and other comprehensive income	**(11,452)**	8,646
Income tax benefit / (expense) attributable to discontinued operation	**66,254**	482,875
	54,802	491,521

8. Trade and other receivables

	Consolidated 31 December 2018 $	30 June 2018 $
Trade receivables	**104,490**	30,895
Prepayments	**221,035**	71,521
Deposits	**35,982**	35,955
Deferred consideration receivable (refer note 6)	**400,000**	-
Other receivables	**3,369**	831
GST receivables	**20,729**	8,916
	785,605	148,118

As at balance date, the ageing analysis of trade receivables, net of impairment loss, is as follows:

	Total	Past due but not impaired < 30 days	30-60 days	61-90 days	> 90 days
	$	$	$	$	$
31 December 2018	**104,490**	**102,595**	**-**	**1,895**	**-**
30 June 2018	30,895	27,156	3,714	25	-

9. Investments

	Consolidated 31 December 2018 $	30 June 2018 $
Investment at cost	**113,525**	-
	113,525	-

On 31 July 2018, the Company completed the sale of 90% of its equity interest in Mpire Network Inc. The Company has recognised its remaining 10% equity interest at cost. As at 31 December 2018, there were no indicators that the investment had been impaired.

10. Share-based payments

The share-based payments expense recognised during the period is comprised as follows:

	31 December 2018 Number issued	31 December 2018 $	31 December 2017 Number issued	31 December 2017 $
Options issued[1]	**1,600,000**	**98,349**	500,000	50,000
Class D Performance Rights[2]	**-**	**-**	-	3,332
Classes E, F and G Performance Rights[2]	**-**	**-**	1,200,000	95,700
Options issued under Employee Options Plan[1,2]	**2,850,000**	**3,472**		
Employee Share Incentive Plan[2]	**-**	**14,362**	196,664	9,907
		116,183		158,939

[1] in addition to these options, 55,500,834 options were issued pursuant to an entitlements issue. The fair value of these options has been recognised directly in equity.
[2] value recognised over vesting period

10. Share-based payments (continued)

Options

The following table illustrates the movement in options during the period:

	As at 31 December 2018 Number	As at 30 June 2018 Number
Opening balance	**2,000,000**	8,500,000
Granted during the period	**59,950,834**	500,000
Exercised during the period	**(4,500)**	-
Expired during the period	**-**	(7,000,000)
Closing balance	**61,946,334**	2,000,000

Included in the options granted during the period are 39,958,961 free attaching options which were issued pursuant to an entitlements issue. The remaining 19,991,873 options were issued as part of employee remuneration and pursuant to underwriting and consultancy service agreements. The fair value of options granted during the period, excluding the free attaching options, was $1,013,577 (2017: $50,000). Holders of options do not have any voting or dividend rights in relation to the options. The options were valued at grant date using the Black-Scholes model and took into account the following assumptions:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Exercise price	$0.10	$0.10	$0.15	$0.15
Expiry date	25/10/2021	7/12/2020	24/12/2020	24/12/2020
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	99.34%	100.55%	103.02%	103.02%
Risk-free interest rate	2.06%	1.92%	1.97%	1.97%

The weighted average remaining contractual life for the share-based payment options outstanding as at 31 December 2018, including the free attaching options, was 2.71 years (30 June 2018: 1.85 years).

The exercise price for share based payment options outstanding as at the end of the period, including the free attaching options, was a range of $0.10 to $0.45 (30 June 2018: $0.45).

Details regarding the options granted during the year ended 30 June 2018 can be found in Note 16(b) of the Company's 2018 Annual Report.

Performance Rights

The following table illustrates the movement in performance rights during the period:

	Class D Number	Class E Number	Class F Number	Class G Number
Opening balance at 1 July 2018	**33,332**	**150,000**	**900,000**	**150,000**
Granted during the period	**-**	**-**	**-**	**-**
Converted during the period	**(33,332)**	**-**	**-**	**-**
Forfeited during the period	**-**	**(150,000)**	**(900,000)**	**(150,000)**
Closing balance at 31 December 2018	**-**	**-**	**-**	**-**

No share-based payments expense was recognised in respect of performance rights in the current period (2017: $99,032)

Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted up to $1,000 of fully paid ordinary shares in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at $1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

10. Share-based payments (continued)

No shares were issued during the current period (2017: 196,664) The share-based payment expense is recognised over the period of employment of the eligible employees. An amount of $14,362 was recognised in the current period (2017: $9,907).

11. Financial instruments

The Group's principal financial instruments comprise receivables, payables and cash and cash equivalents which arise directly from its operations.

Fair values
Fair values of financial assets and liabilities approximate to carrying values due to their short terms to maturity.

12. Related party disclosure

The consolidated financial statements include the financial statements of Adveritas Limited and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		31 December 2018	31 December 2017
Livelynk Group Pty Ltd[1]	Australia	100	100
TrafficGuard Pty Ltd[2]	Australia	100	100
Appenture d.o.o[2]	Croatia	100	100
Mpire Network Inc[2,3]	Canada	10	100

[1] equity interest is held directly by Adveritas Limited.
[2] equity interest is held directly by Livelynk Group Pty Ltd.
[3] In the current period, the operating results of the Canadian entity, Mpire Network Inc, are included in the consolidated statement of profit or loss and other comprehensive income for the period1 July 2018 to 31 July 2018, the date on which it was sold.

13. Commitments and contingencies

a) Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	31 December 2018	30 June 2018
	$	$
Within one year	**132,198**	153,792
After one year but not more than five years	**190,465**	255,211
More than five years	**-**	-
	322,663	409,003

b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (30 June 2018: nil).

c) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (30 June 2018: nil).

14. Events after the balance sheet date

No event has arisen since 31 December 2018 that would be likely to materially affect the operations of the Group or its state of affairs which has not otherwise been disclosed in this financial report.

15. Contributed equity

a) Issued capital

	Consolidated 31 December 2018 $	Consolidated 30 June 2018 $
Ordinary shares, fully paid	**24,347,135**	22,586,507

b) Movements in share capital

	31 December 2018 Number	31 December 2018 $	30 June 2018 Number	30 June 2018 $
Balance at the beginning of the period	**88,797,667**	**22,586,507**	65,807,669	17,157,235
Issue of shares pursuant to Entitlements Issue	**53,278,600**	**2,397,536**	-	-
Shares issued on conversion of Class D Performance Rights	**33,332**	**13,330**	-	-
Issue of shares pursuant to a placement	**3,333,334**	**250,000**	15,000,000	3,000,000
Shares issued on exercise of options	**4,500**	**450**	-	-
Shares issued on conversion of Class B Performance Rights	**-**	**-**	7,500,000	2,549,272
Shares issued under Employee Incentive Share Plan	**-**	**-**	196,664	-
Share issue costs	**-**	**(900,688)**		(186,000)
Shares issued as consideration for placement services	**-**	**-**	293,334	66,000
Balance at the end of the period	**145,447,433**	**24,347,135**	88,797,667	22,586,507

c) Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

In accordance with a resolution of the directors of Adveritas Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Adveritas Limited for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) Subject to note 2(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board.

Mathew Ratty
Managing Director

Perth, Western Australia
21 February 2019

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Independent auditor's review report to the Members of Adveritas Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2018, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 2(d) in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half-year 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 half-year financial report based on our review. We conducted our review in accordance with 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 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*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
21 February 2019